# FINANCIAL TIMES


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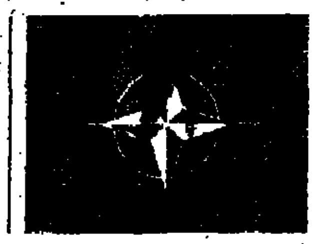

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World Business Newspaper http://www.FT.com THURSDAY AUGUST 14 1997


## Warburg pushes SBC half-year profits up 84%

Swiss Bank Corporation reported an 84 per cent jump in first-half net income to SFr1.33bn ($842m), comfortably ahead of its two bigger Swiss rivals. For the first time in the group's history, investment banking contributed more profit than any other division, indicating that the 1995 acquisition of SG Warburg was beginning to pay off. SBC Warburg, formed from the merger of SBC's international division with SG Warburg, increased its net income by 60 per cent to SFr691m, overtaking SBC Private Banking, which increased its net income by 36 per cent to SFr653m. Page 13; Lex, Page 12

**Hoechst profits dip:** Hoechst, Germany's biggest chemicals and pharmaceuticals group, reported a 54 per cent decline in first-half pretax profits to DM2bn ($1bn), triggering a sharp drop in its share price. Page 13; World stocks, Page 30

**Fresh fears over BSE:** Scientists in Brussels raised doubts about the safety of cattle semen on the grounds that it might transmit BSE, or "mad cow disease". It is the only UK beef product exempt from the European Union's worldwide ban on exports of British beef and its derivatives. Page 7

**Bundesbank seeks tax reform:** The Bundesbank called for the reform of Germany's tax system, arguing that it favoured skilled tax-avoiders and did too little to encourage business and help job creation. Page 2

**US envoy to return to Bosnia**

Robert Gelbard, US envoy to Bosnia, will return to the region this weekend as part of a drive to revitalise the peace process. Richard Holbrooke (right), architect of the Dayton peace accord, returned from a joint mission to Bosnia with Mr Gelbard with an assessment that "we are making progress, but we are still behind schedule" in putting the plan into practice. Page 2

**Visa presses for US business:** Banking association Visa intensified its efforts to persuade US consumers to use debit cards by announcing reductions in cardholders' liability when stolen or lost cards are used fraudulently. Page 13

**Seoul files complaint against US:** South Korea complained to the World Trade Organisation about the US's refusal to lift anti-dumping measures against Korean memory chips. Page 5

**Speculators test Indonesia's currency:** The Indonesian rupiah briefly fell through the central bank's declared intervention band as speculators mounted the strongest test yet of official willingness to defend the currency. Page 12; Shift in currency fashion, Page 10; Currencies, Page 19

**Pakistan acts over terrorism:** Pakistan passed a bill to combat terrorism following a big rise in violence involving militants belonging to rival Shia and Sunni Moslem sects. Page 6; The poverty puzzle, Page 10

**Mitsui group to aid building arm:** Mitsui Construction, the Japanese company struggling under Y493bn ($4.25bn) of debt and loan guarantees, said other members of the Mitsui group had agreed to provide financial support as part of a restructuring programme. Page 18

**Thailand gives pledge on aid:** The International Monetary Fund and the Thai government pledged that the country's $16bn emergency international financing package would be used exclusively to replenish Thailand's international reserves and cover a potential balance of payments shortfall. Page 6

**Fruitful result:** After 18 years of trying, France has persuaded Japan to import French Golden Delicious apples. Japan had been concerned about infestation by insects and bacteria. Page 5

**Licence to kill:** Louisiana passed a bill allowing motorists to kill people who try to steal their cars if they suspect they are armed. The state's gun laws are among the most liberal in the US.

**FT.com:** the FT web site provides online news, comment and analysis at http://www.FT.com

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| Dow Jones Ind Av | 7938.54 | (-22.30) |
| NASDAQ Composite | 1579.27 | (+3.03) |
| **Europe and Far East** | | |
| CAC40 | 2924.04 | (-74.53) |
| DAX | 4278.48 | (-84.61) |
| FTSE 100 | 5003.6 | (-72.2) |
| Nikkei | 19,008.80 | (-80.51) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5 1/2% |
| 3-mth Treas Bills: Yld | 5.290% |
| Long Bond | 98 1/2 |
| Yield | 6.643% |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 7 3/16% | (7 1/8%) |
| UK: 10 yr Gilt | 101 5/8 | (101 1/32) |
| France: 10 yr OAT | 98.12 | (99.33) |
| Germany: 10 yr Bund | 102.15 | (102.48) |
| Japan: 10 yr JGB | 106.4743 | (106.438) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent Dated | $18.54 | (18.57) |

**GOLD**

| | | |
|---|---|---|
| **New York: Comex** | | |
| | $326.8 | (326.7) |
| **London:** | | |
| close $328.15 | | (326.05) |

**DOLLAR**

| | | |
|---|---|---|
| **New York: lunchtime** | | |
| £ | 1.58375 | |
| DM | 1.8353 | |
| FFr | 6.187 | |
| SFr | 1.51075 | |
| Y | 115.725 | (116.30) |
| **London:** | | |
| £ | 1.5803 | (1.5783) |
| DM | 1.8318 | (1.8624) |
| FFr | 6.1743 | (6.2790) |
| SFr | 1.5081 | (1.5257) |
| Y | 115.605 | (115.95) |
| Tokyo close: | Y 116.55 | |

**STERLING**

| | | |
|---|---|---|
| DM | 2.8944 | (2.9385) |

# Paris may tap utility for funds to cut deficit

## State expected to target up to FFr30bn of EdF provisions

By Samer Iskandar and David Owen in Paris

Directors of Electricité de France, the national electricity utility, expect the French government to try to tap it for "tens of billions of francs" to reduce the 1998 budget deficit.

The government has said it would reduce its budget deficit to 3 per cent of GDP, a condition for joining European economic and monetary union, in 1998 – a year later than required under the Maastricht treaty. However, many economists believe that the government was likely to fall short of this target too, no matter how tough it was on public spending, unless it was helped by unexpectedly strong economic growth or an unspecified extra ingredient.

This year's deficit was cut by taking a FFr37.5bn ($6bn) one-off payment from France Telecom in return for the transfer of pension liabilities.

EdF directors expect the government to target a portion of the state-owned company's extensive provisions, which stood at more than FFr281bn at the end of 1996.

These are earmarked for a range of purposes, including the eventual dismantling of France's 50 or so nuclear reactors, the reprocessing of nuclear fuel and the modernisation of the EdF network.

An EdF director said yesterday the anticipated move, which may involve as much as FFr30bn, was expected to dominate the company's next board meeting in September.

The disclosure comes about three weeks after Mr Dominique Strauss-Kahn, finance and industry minister, revealed a FFr32bn package of measures designed to reduce France's 1997 public deficit. This included FFr4bn in contributions from EdF and Caisse des Dépôts et Consignations, a state-controlled financial institution. Each FFr10bn in new funds would be enough to cut more than 0.1 percentage points from the public deficit, expressed as a proportion of gross domestic product.

Mr Eric Chaney, senior economist with Morgan Stanley in Paris, estimated that the 1998 deficit was likely to reach 3.3 per cent of GDP even if ministers succeeded in containing public spending growth to 1.2 per cent, in line with expected inflation. This is widely seen as a very tall order. "My guess is there will be something like France Telecom next year, but lower," he said.

The finance ministry this week said 1998 expenditure would rise "at a very significantly slower rate" than GDP. The full budget is due to be presented on September 24.

The finance ministry would not confirm yesterday any intention to approach EdF, saying the receipt side of the budget was "very far from being finalised".

An argument the state might use to justify having recourse to EdF's finances is the recent cancellation of the Rhine-Rhône canal project, which was to have been financed by the company at an expected cost of FFr24bn. Some believe the government might justify drawing down provisions for the future dismantling of nuclear reactors on the grounds that the reactors look set to stay in service longer than expected.

However, the EdF director warned against such a move, saying these provisions should not be touched. He also said the decision to close Superphénix, the largest fast breeder reactor ever built, much earlier than originally intended risked adding significantly to its decommissioning costs.

Lex, Page 12

Jordan's King Hussein (left) greeting Israeli prime minister Benjamin Netanyahu before a summit at the Royal Palace in the Red Sea resort of Aqaba yesterday. Report, Page 3 Reuter

# Russian minister quits after asset sales criticism

By John Thornhill in Moscow and Robert Corzine in London

Mr Alfred Kokh, Russia's privatisation minister, resigned last night after coming under fire for his handling of a series of controversial asset sales.

The removal of the minister responsible for selling the state's shareholdings in the Svyazinvest telecommunications company and the Norilsk Nickel mining group was seen as a government attempt to re-establish its credibility in the privatisation sphere.

In recent weeks, several newspapers have run campaigns to discredit Mr Kokh, alleging he was linked with Mr Vladimir Potanin, the head of Oneximbank, which won both the Svyazinvest and Norilsk Nickel auctions. Mr Kokh also appeared to have fallen foul of Mr Victor Chernomyrdin, prime minister, who has questioned the legality of recent privatisation deals.

Mr Kokh has been replaced by Mr Maxim Boiko, deputy

Continued on Page 12

# Sony and Philips to go own way on digital disc format

By Alice Rawsthorn in London and Michiyo Nakamoto in Tokyo

The consumer electronics industry faces the threat of a format war following yesterday's announcement that Sony and Philips intend to adopt a different technology to rival manufacturers for DVD-Ram, the advanced computer discs.

Hewlett-Packard, one of the largest US computer equipment makers, also broke ranks from the consortium of 11 electronics and computing companies working on DVD development, by signalling its support for the format favoured by Sony and Philips.

DVD-Ram is one of the family of digital versatile discs which the industry regards as its most promising new products. It plans to market the discs as more sophisticated versions of video cassettes and CD-Roms. Unless the three companies agree to compromise, their version of DVD-Ram will be forced into direct competition against that of other consortium members, including Matsushita, Toshiba and Hitachi, the Japanese electronics groups.

A format war could jeopardise chances of orchestrating a smooth launch for DVD-Ram, just as the debut of the video cassette recorder was marred by the unsuccessful battle by Sony and Philips to establish Betamax as the industry standard against VHS technology.

DVD-Ram, due for limited production at the end of this year with a mass market launch scheduled for 1998, is the recordable version of DVD-Rom, the new discs which have higher memory capacity than CD-Rom and relay moving images as well as static ones.

Each DVD-Ram disc will be able to store an hour of film footage, meaning they will be too short to record feature films – a restriction Hollywood movie studios insisted on in the original DVD negotiations.

However, Sony claims that the technology proposed by the DVD consortium is less likely to appeal to consumers than the version it has developed with Philips, the Dutch group with which it produced the compact disc in the 1980s.

Sony said it still supported the consortium's other DVD-Ram technologies, but did not plan to put the DVD-Ram version into commercial production. Instead, it will manufacture its own format which, Sony claims, allows for easier compatibility with existing DVD-Rom drives, thereby making it cheaper to produce

Continued on Page 12
Incompatibility returns, Page 5; Editorial Comment, Page 11

# US producer price fall calms rate rise fears

By Nancy Dunne in Washington

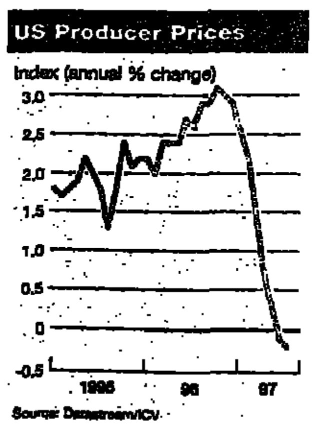
US wholesale prices fell for an unprecedented seventh consecutive month in July, easing any lingering expectations of an interest rate increase this month.

The Labour Department reported that the producer price index fell a seasonally adjusted 0.1 per cent, while the Commerce Department said retail sales rose 0.6 per cent, continuing a rebound that started in June.

Market analysts had predicted that consumer demand would rise along with solid employment growth and recent wage gains, reported in earlier government data.

What was "a complete surprise", said Mr Ian Shepherdson, chief economist at New York-based HSBC Markets, was the 1.6 per cent dip in car prices, as dealers sold excess stocks to clear the way for next year's models.

Car and truck sales account for almost one-fifth of the so-called "core index" of wholesale prices, which excludes the more volatile energy and food components.




Source: Datastream/ICV

The Big Three car manufacturers, disadvantaged by the stronger dollar, have announced their intention to continue to restrain prices when they bring out new cars in October. Ford is keeping its prices flat; General Motors intends a 1.3 per cent increase; and Chrysler will lower prices by an average 0.6 per cent.

"There doesn't seem to be any inflation in the pipeline," said Mr Bill Thomas, senior economist at the Labour Department. Prices for intermediate goods – those that need further processing – declined 0.2 per cent between June and July. Food prices dropped 1.2 per cent and energy prices 1.1 per cent.

The entire intermediate goods index was down 0.3 per cent from a year ago.

Some economists have even begun to speak of deflation. The longest previous series of price declines, after the government began compiling the index in 1947, was between August and December 1952.

So far this year, monthly declines in wholesale prices have ranged from 0.1 per cent to 0.5 per cent, an annualised deflation rate of 3.1 per cent.

However, oil prices, which slid in the first half of the year, have bottomed out and begun to creep up again.

Americans have also bought more building materials, garden supplies, pharmaceuticals and petrol. Food stores reported a 0.4 per cent rise in sales, the first gain since the spring. Sales of home furnishing fell by 0.4 per cent.

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# Bundesbank presses for tax reform

By Andrew Fisher in Frankfurt

The Bundesbank yesterday hit out at the unfairness and complexity of Germany's tax system by arguing that it favoured skilled tax-avoiders and did too little to encourage business activity and help job creation.

Far-reaching reforms in this and other areas were vital to prevent further erosion of government revenues and to stimulate economic growth. This year's tax income already looked like falling further behind expectations, it said.

The central bank's comments in its monthly report come shortly after the failure of Mr Helmut Kohl, the chancellor, and his Christian Democrat-led government to push a tax reform package through parliament against Social Democratic party opposition.

They also coincide with growing political, economic and constitutional debate in Germany about whether it can adapt rapidly enough to globalisation. Unemployment is at record levels and foreign direct investment in Germany is far exceeded by German corporate spending abroad.

In an appeal to politicians, trade unions and industry, the Bundesbank said there was a need to "correct the mistakes of the past" by lowering taxes and social security levies, cutting bureaucracy and continuing efforts towards wage moderation and labour flexibility.

This would enable Germany to participate successfully in the competition among advanced industrialised nations to present themselves as attractive investment locations. The country's tax and other disadvantages had a growing influence on the size of the gap between high German investment abroad and low foreign direct investment, even though spending decisions were taken largely for strategic reasons.

In its tax criticism, the bank dismissed arguments that the necessary shift in the burden from income to consumption taxes would be unfair. Instead, the present opaque system helped those adept at tax avoidance, it said.

Lower tax rates and a reduction of allowances and privileges were necessary to produce a simpler and more transparent system which discouraged avoidance.

The bank said the weakening of the link between economic growth and tax revenues in recent years had eroded the country's tax base. Tax revenues have grown more slowly than the economy.

Tax income was 2.5 per cent lower in the first half of this year than in the same period of 1996. Despite the improving economic outlook, the full 1997 result would probably be worse than the government's forecast in May that revenues would rise around 1.5 per cent with a nominal economic growth rate of 3.5 per cent, the Bundesbank said.

Thus the tax system's structural weakness would be more marked this year than previously thought. The government said in May that federal and other tax revenues would be DM18bn ($9.7bn) lower this year than previously estimated.

■ The Bundesbank yesterday kept alive speculation of a rise in German interest rates by stating that consumer price rises had strengthened in recent months and emphasising the importance it attached to the D-Mark's performance in foreign exchange markets. Noting in its monthly report that the D-Mark had fallen further against the dollar this year, it said the "risks for stability-oriented policies" would be watched closely. The bank also said it wanted money supply growth to slow down further.

## EUROPEAN NEWS DIGEST

# East German output buoyant

East German industry saw a marked improvement in growth and productivity in the first half of the year, according to a report from the German Institute of Economic Research (DIW), one of the country's leading economics institutes.

Manufacturing production in the second quarter rose 9 per cent on the previous year, boosted in part by a marked rise in foreign orders. In the opening period foreign orders rose 41 per cent, climbing to 44 per cent in the second quarter.

The increase in foreign demand for east German goods is an indication of the knock-on effect of the rise in pan-German exports, brought on in part by the depreciation of the D-Mark against leading currencies. Growth was particularly marked in the electronics, food processing, printing, engineering and automotive sectors.

DIW said the gap in eastern productivity levels compared with those of west Germany would continue to narrow. *Frederick Stüdemann, Berlin*

■ GERMAN SPELLING

## Court rejects parents' appeal

Efforts to stop the introduction of spelling reform in German schools suffered a setback yesterday when a higher court in the state of Schleswig-Holstein rejected an appeal by parents opposed to the changes. It is the first time the issue has been heard in a higher court, and the failure of the appeal now opens the way for a case to be brought to the Constitutional Court, Germany's highest legal body.

In its ruling the Schleswig-Holstein court rejected the claim that changes to the German language should be made by laws passed in regional or federal parliaments.

The spelling reform, agreed last year by education and culture ministers from German-speaking countries and regions, is to be phased in from August 1998. It is being introduced by directives issued by state cultural and education ministers. *Frederick Stüdemann*

■ SERVICE INDUSTRY

## Rexrodt lists priorities

Promoting Germany's numerous spa and health resorts to tourists from abroad was identified yesterday by Mr Günter Rexrodt, German economics minister, as a priority in developing the country's service industry. He said the country's health system was a "world leader".

An "action programme" for the sector unveiled by Mr Rexrodt also included proposals for a credit programme worth DM500m ($277m) over three years to help with development and marketing costs in service and computing sectors. The programme would be operated in conjunction with the Kreditanstalt für Wiederaufbau, the publicly owned development bank. The government is also studying ways of improving liability rules for partnerships and allowing lawyers to set up limited liability companies.

Mr Rexrodt said employment in Germany's service sector had increased by 55 per cent since 1970. But in the same period the US and Japan had seen growth of 90 per cent and 65 per cent respectively. *Ralph Atkins, Bonn*

■ TALKS THREAT

## Yeltsin pledge on Chechnya

Mr Boris Yeltsin, Russian president, sought to soothe jittery relations between the Kremlin and the breakaway Chechen republic yesterday by insisting he would go ahead with a planned meeting with the region's leader.

A fragile relationship between Chechnya and Russia, which waged an unsuccessful two-year war to bring the separatist republic back under its control, has become frayed in recent days. Angered by Moscow's failure to fund the reconstruction of its shattered cities and villages, Chechen officials broke off talks with Russia, casting doubt on a key pipeline which passes through the region.

In an effort to ensure the meeting with Mr Aslan Maskhadov, Chechen president, took place, Mr Yeltsin yesterday vowed Russia would keep its promise to help rebuild Chechnya. But Russian nationalists were infuriated this week by the Chechen parliament's decision to make the Chechen language the region's only official language. In turn, Chechen officials were infuriated yesterday by what they say were Russian violations of Chechen airspace. *Chrystia Freeland, Moscow*

■ POLISH ECONOMY

## Growth remains on target

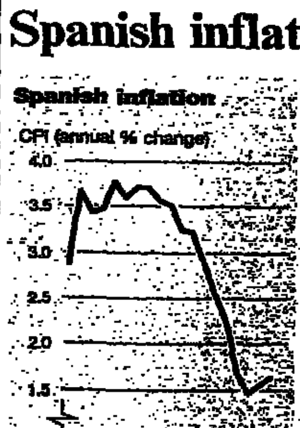
Polish inflation is set to reach 13 per cent as planned this year, despite last month's floods in the south. Mr Zbigniew Kuzmiuk, head of RCSS, the government's economic monitoring unit, yesterday said that growth was also expected to stay on target for the year at 5.7 per cent, dropping slightly on last year's 6.1 per cent figure.

Wages, however, are rising twice as fast as expected and an investment boom in industry has seen spending on new plant and buildings climb 27 per cent this year. This will help create about 150,000 jobs this year, bringing the jobless rate down to 11 per cent, or 2m people.

High internal demand means that imports are climbing strongly and are expected to grow by 23 per cent to $40bn this year. Exports will increase by 11 per cent to reach $27bn, RCSS predicts. This will leave a $6.5bn balance of payments gap, equivalent to 5 per cent of gross domestic product, against a current account deficit of $1.4bn last year. *Christopher Bobinski, Warsaw*

## ECONOMIC WATCH

# Spanish inflation stable




Spain's year-on-year inflation rate, which for the last three months has been lower than Germany's, remained stable in July at 1.6 per cent, the national statistics institute said yesterday. Economists believe the rate has now touched bottom.

The inflation rate has halved since the end of last year, mainly because of falling food costs. However, the 0.2 per cent monthly price increase in July raised concern about the trend in the service sector, where the 12-month rate accelerated to 3.8 per cent from 3.2 per cent in June.

Analysts see inflation beginning to rise again as the tourist season hits its peak and the strong dollar takes its toll on fuel prices. But the centre-right government now has some leeway for meeting its 2.2 per cent inflation target for the end of the year.

The CEOE employers' organisation called for more moderate wage deals to reflect the recent price figures, and said there was room for a further cut in interest rates. But other experts expect the Bank of Spain to exercise caution in view of underlying inflation figures, which edged up to 2 per cent in July from 1.9 per cent the month before. *David White, Madrid*

# Irish use microchips to rein in horse problem

By John Murray Brown in Dublin

Ireland, famous for its billion-pound thoroughbred industry, is having to deploy microchip technology to control the growing problem of stray horses in the poorer areas of Dublin and other cities.

The Control of Horses Act, which took effect yesterday, requires that horse-owners buy a licence and have their animals tagged with a microchip.

If they are found on public land, they will be impounded by the local authorities, only to be released on payment of a fine.

If they are found three times, they will be confiscated.

The legislation is targeted at the estimated 4,000 horses grazed on often unfenced fields in Ireland's deprived inner cities, which have become a safety hazard for motorists and for the parks authorities.

This picture provides a sharp counterpoint to the traditional image of Ireland's equine splendours, which include a bloodstock industry worth I£1bn ($1.4bn) and which were typified by last week's annual Royal Dublin Society (RDS) horse show.

Animal rights activists, together with the police and local vets, hope the new rules will curb the trade in old, sick and injured horses.

The ponies, which are bought at the Smithfield market on the first Sunday of the month, often by children, are accommodated in makeshift breeze-block stables near tenement blocks.

The trade is controlled by the traditional Irish travelling community, many of whom have moved to the city, exchanging their nomadic life for public housing.

"It keeps us out of trouble. It's something to do, instead of going out and robbing cars," says the 13-year-old owner of Tonto.

One enterprising local community has started a project which provides stabling and vet services for stray horses in Tallaght, one of Dublin's most notorious ghettos.

The project has won support from the equestrian committee of the RDS and a local cement factory. However, it was criticised yesterday by a local council official, who argued that horse ownership was "just incompatible with living in an urban area".

# Nato winning over the neutrals

The EU's newest members are reviewing foreign policy, writes **Bertrand Benoit**

In Austria, Finland and Sweden – the European Union's three newest members and once self-proclaimed bastions of neutrality – the issue of whether to seek Nato membership is enlivening public debate.

There is a shared sense that the foreign policy imperatives which once underpinned the choice of neutrality in a continent split into ideological camps have become weaker.

"Neutral countries' foreign policy agendas do not clash with Nato enlargement any longer. It is becoming a purely domestic problem," said Ms Heather Grabbe, EU enlargement specialist at the Royal Institute of International Affairs.

In Stockholm last week Mr Carl Bildt, leader of the opposition Moderate party, suggested the time might be ripe for Sweden to consider Nato membership. For the Liberal party, another Nato supporter, joining the alliance would allow substantial savings on the defence budget while maximising security.

The ruling Social Democrats say they have no intention of changing policy for the next five years, but observers wonder what will happen after that. "It is pragmatism which led us to neutrality. Pragmatism should now rule as we consider Nato membership," a senior Swedish diplomat said.

The debate rages more furiously in Austria, where the coalition government was shaken by the decision of the junior partner, the People's party, to call for Nato membership at a conference in July.

Austria is often seen as a natural candidate to accompany Romania and Slovenia in an eventual "second wave" of Nato expansion, following the first wave of 1999 that will admit the Czech Republic, Hungary and Poland.

Austria is the only country whose neutrality is enshrined in a treaty, but last month's Nato decision to incorporate three former Warsaw Pact states has increased the pressure to join the alliance. Neutrality, arguably a sensible arrangement for a small buffer state, becomes an unnecessary complication when enemies turn into good neighbours.

Even in cautious Finland, Mr Paavo Lipponen, prime minister, recently had to restate the once obvious case for neutrality. While the government is not yet seeking Nato membership, many Finnish specialists argue that the alliance's special relationship with Russia, signed in May, may mean that key European security questions will be settled without Finnish involvement. The answer, they say, is to join Nato.

In practice, joining Nato would not represent a radical departure from the present situation.

The three neutrals have observer status at the Western European Union, the EU's putative defence arm, and are members of Nato's Partnership for Peace programme. Sweden sent troops to Bosnia, as did Austria, which was also part of the Italian-led force in Albania.

The neutrals' experience of UN-style crisis management and their endorsement of the 1992 WEU peacekeeping guidelines make them potential participants in most future Nato operations.

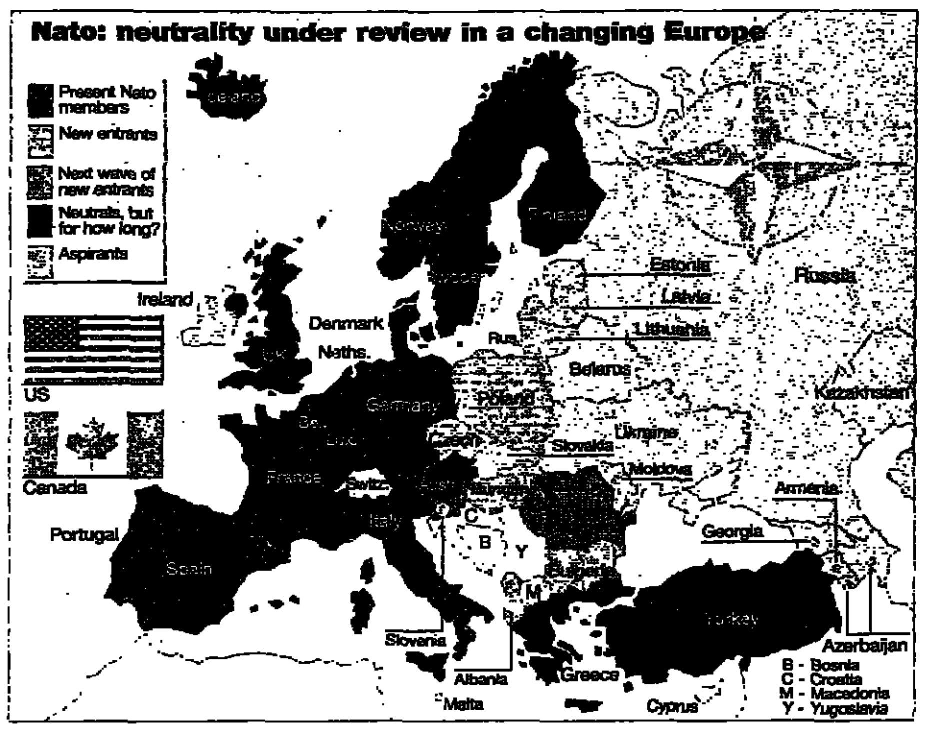
"Full membership would formalise a relationship which already exists. People rarely suspect how close we were to the neutrals throughout [the cold war], especially in terms of intelligence-sharing," said a former official of the British Foreign Office.

Nonetheless, many obstacles remain. Article 5 of Nato's Atlantic Treaty – covering mutual military guarantees - remains taboo for large segments of the Austrian, Finnish and Swedish populations. Nor is the idea of associating with an organisation with nuclear weapons popular.

Yet the political atmosphere has relaxed tangibly. Few ruling political parties are formally denouncing neutrality. The resistance of large sections of the public is balanced by the new openness of the political elite, suggesting that change will come incrementally, particularly as the EU's concept of a common foreign and security policy is fleshed out.

Observers do not foresee a shift of policy in Sweden under the present government, and agree that Finland would probably not move alone.

In the coming months the spotlight will focus on Austria as Nato proceeds with its planned enlargement.




# US in drive to accelerate pace of Bosnia peace process

By Bruce Clark in Washington

Mr Robert Gelbard, the US envoy to Bosnia, will return to the region this weekend as part of a drive to revitalise the peace process in which President Bill Clinton is taking a keen personal interest.

Establishing the right of refugees to return will be one of Washington's top priorities as Mr Gelbard and US military commanders strive to accelerate the pace at which the Dayton peace accord is implemented. Mr Clinton is under pressure at home to withdraw the US contingent from Bosnia by the agreed deadline of mid-1998, although he has left open the possibility of prolonging the US military presence.

The president has made his concern about Bosnia known through press leaks and personal contacts with US mediators. He appears to regard the outcome there as a crucial test for the principle of ethnic co-existence in Europe, and even in the US.

Mr Richard Holbrooke, the architect of the Dayton agreement, returned from a joint mission to Bosnia with Mr Gelbard last week with an assessment that "we are making progress, but we are still behind schedule" in putting the peace plan into practice.

He said high-level US concern about Bosnia reflected the huge implications that any failure there would have for European security, including Nato's plan to take in new members.

"Nato enlargement and Bosnia are on converging train tracks, which move together in 1998," said Mr Holbrooke. Failure in Bosnia was "unthinkable" because it would be "a setback for stability in Europe, and a failure for Nato itself," he added.


Richard Holbrooke: 'Nato enlargement and Bosnia on converging train tracks'

But he still believed that "if the US and its allies commit themselves to succeeding in Bosnia, they will succeed". The link between the alliance's role in Bosnia and its broader credibility has also been stressed by the new Nato commander in Europe, General Wesley Clark, who was another co-designer of the Dayton accord.

Last week's US mission secured a fresh commitment from the leaders of Bosnia and Croatia to the principle of "organised, voluntary and safe return" of displaced persons to their homes.

This followed violence by Croat mobs against Moslems returning to the town of Jajce: Moslem efforts to block Croats going back to nearby Bugojno; and stone-throwing attacks by Moslem women, widowed in the 1995 Srebrenica massacre, against Serbs who tried returning to a Sarajevo suburb.

So far, no more than 10,000 of the hundreds of thousands of people displaced by the Bosnian war have gone back to areas where they would be a minority. Senior US officials feel it is vital that the right of return should be seen to be upheld, even if only a minority of refugees choose to exercise it.

Western commanders in Bosnia have also been cautious about implementing the most sensitive aspect of the Dayton accord – arresting Mr Radovan Karadzic, the war crimes suspect and former Bosnian Serb leader.

■ Mr Karadzic has sent documents to the UN tribunal in The Hague to prove his innocence, an official said yesterday, writes Guy Dinmore in Pale. Meanwhile, a Croatian magazine reported that the most prominent Bosnian Croat indicted for war crimes against Moslems, Mr Dario Kordic, would give himself up to the UN tribunal if guaranteed a trial in a "reasonable" period of time. Globus magazine quoted Mr Kresimir Zubak, the Croat member of Bosnia's collective presidency, as saying that representatives of the tribunal had made contact with Mr Kordic's family.

# Turkey to ease iron rule over Kurds

By John Barham in Ankara

Turkey is planning to lift emergency rule in its Kurdish provinces by the end of the year and replace it with a civilian-controlled development programme in which the military would have less power.

Mr Bülent Ecevit, deputy prime minister, said the government had agreed there was no longer any need for emergency rule, imposed on nine south-eastern provinces 10 years ago.

However, Mr Ecevit, leader of the coalition government's junior leftwing partner, said the abolition of emergency rule would still require certain unspecified "measures to co-ordinate security forces and administrative order".

He said troop concentrations in the region would be reduced, and the central government would increase investment in social services, education and regional development to overcome poverty in Turkey's most backward region.

The government imposed emergency rule on the provinces as fighting intensified between the security forces and guerrillas of the Kurdistan Workers party (PKK). Emergency rule grants the security forces authority to hold suspected PKK members and sympathisers, but human rights campaigners say troops abuse these powers.

Incoming Turkish governments often promise to lift emergency rule, but none has yet succeeded in overcoming resistance from the security forces.

The government says nearly 26,000 people have died in the fighting, most of them PKK fighters.

Human rights campaigners reacted cautiously to the announcement. One said it was too early to comment as no details had been given.

# Collective system challenged in Berlin

By Frederick Stüdemann in Berlin

In a further challenge to the German system of collective bargaining, the country's Cartel Office has moved to stop regional and local authorities from stipulating that the system apply to certain types of public sector building contracts.

In a test case launched this week, the Cartel Office served notice on the Berlin Senate, the city's government, to drop the practice whereby public sector contracts for projects such as road-building are only given to companies which agree to pay rates negotiated under the collective system. A majority of Germany's 16 states (Länder) have adopted the practice. Wages set under the collective bargaining system are higher than market rates and minimum wage levels established for the construction sector. The minimum wage for a building worker is DM16 ($8.60) per hour. Under the collective system it is DM25.

The Cartel Office said the result of the measure, which was introduced in 1995 with the aim of boosting local building companies, was the exclusion of potential competitors who set wages outside the collective system.

In Berlin, building companies from the surrounding east German state of Brandenburg, where lower wages agreed outside the collective bargaining system are one of the key competitive tools for many companies, are effectively shut out from undertaking work for the public sector. "It is a clear case of discrimination," said the Cartel Office.

The Berlin Senate rejected the Cartel Office's claims. The Senate has four weeks to consider the case. If it does not change its position, the Cartel Office says it will issue a formal ban, opening the prospect that the issue could end up in the courts.

The collective bargaining system, which involves negotiations at national or regional level between employers and trade unions, has recently come under increased pressure as employers have demanded more wage flexibility if jobs are to be guaranteed. In eastern Germany two-thirds of employers are already outside the collective system and negotiate wages at plant level.

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# PLO office in Washington shut down

By Avi Machlis in Jerusalem

The closure of the Palestine Liberation Organisation's office in Washington, after a law allowing the group to operate there lapsed, has dealt a blow to efforts to restart Middle East peace talks, Palestinians said yesterday.

Mr Saeb Erekat, senior Palestinian peace negotiator, said it was "completely incomprehensible" the US would shut down the PLO office, while Mr Dennis Ross, the US Middle East peace envoy, was on a mediating mission to the region. "It is adding fuel to the fire and is really the last thing we need," he said.

Legislation that allows the PLO to operate in Washington needs to be renewed every six months but was allowed to expire on Tuesday at midnight. Congress must renew the Middle East Peace Facilitation Act for the PLO to operate in Washington. However since Congress has gone into recess it is unlikely the law will be renewed before September.

This is not the first time legislation to keep the office open has lapsed. The office has been closed at least three times before, most recently last year. Mr Erekat said the US administration promised it was taking steps to assure the bill would be renewed when congress reconvenes.

Meanwhile, a summit meeting between Mr Benjamin Netanyahu, Israel's prime minister, and King Hussein of Jordan failed to produce any visible results. Before the meeting, at the Red Sea resort of Aqaba, Jordanian officials said the king would press Mr Netanyahu to ease the sanctions imposed on the Palestinians after a bombing in Jerusalem two weeks ago.

Speaking to reporters after the summit, King Hussein said the peace process had reached a "very dangerous moment". The king said he was convinced that Mr Netanyahu was committed to peace, adding that he hoped the Israeli government would "make their full contribution to peace, through the cessation of one and all acts that jeopardise peace."

Israel yesterday demolished nine Palestinian homes in occupied areas of the West Bank and east Jerusalem built, it said, without permits. After the summit Mr Netanyahu said Israel was willing to discuss all disputes with the Palestinians, including settlement policies, at the negotiating table.

# Rebel Tajik chief to pull back troops and quit

Rebel Tajik colonel Makhmud Khudoyberdyev has agreed to withdraw his troops to barracks and step down as commander of his elite brigade after talks with President Imomali Rakhmonov, a presidential spokesman said yesterday. Reuter reports from Dushanbe.

Col Khudoyberdyev, who has fought troops loyal to embattled President Rakhmonov since Saturday, has agreed to withdraw his troops from the Fakhrobad valley, about 25 km south of the Tajik capital Dushanbe, and give up command of his elite armoured brigade, the government said.

"Khudoyberdyev has resigned as commander of his brigade and will work in another post," a spokesman said. "All questions between both sides have been resolved on peaceful lines."

However, tired government troops strung out along the valley road described it as "capitulation".

It appears to be third time unlucky for the politically ambitious Mr Khudoyberdyev, who in two previous mutinies won big concessions from Mr Rakhmonov's shaky administration.

The colonel had also sniped at a peace deal to end four years of bloody civil war which Mr Rakhmonov signed in June with the republic's armed Islamic opposition.

A Tajik soldier loyal to President Rakhmonov observes rebel positions yesterday *Reuter*

# Kazakhs find new way to pay old debt

## Funds from privatisation have been dedicated to ending pension arrears, writes **Charles Clover**

Amid the cubicles of Kazakhstan's National Bank, a new generation of Kazakhs, groomed and multilingual, talk on the phone in soft-voiced jargon while double-clicking their spreadsheets, trying to pay off a $500m debt to an earlier generation.

At the same time, in the far corners of the central Asian republic, grandmothers line up in front of local branches of the Halyk savings banks to receive back pensions scheduled to be repaid this month. Kazakhstan owes $500m in unpaid pensions, and the government is doing its best to make good these debts. Already, some $100m-$200m has been disbursed.

Many pensioners in Kazakhstan sell items such as seeds or toothpaste on the street, smiling in docile incomprehension at a vast economy outside their grasp. But most are privately bitter at falling through the cracks of the country's transition economics.

"I haven't received my pension in six months," is the most commonly heard complaint from anyone over retirement age in Kazakhstan. Last May, President Nursultan Nazarbaev was heckled by war veterans gathered to commemorate the Soviet Union's victory over Nazi Germany in 1945.

"He was deeply affected by that," said a senior western diplomat in Almaty. The Kazakh pension fund is in debt partly because of an ageing population and partly because of a broader crisis of non-payments in the economy caused by the country's fast-track route to capitalism.

But in paying the pension arrears, Kazakhstan is gambling with its macro-economic stabilisation programme to save its conscience.

The essence of the repayment scheme is explained simply by one statistician: "You can add about 36bn Tenge [$500m] to our figure for base money by the end of the year." Kazakh base money is about 72bn Tenge, so this represents a 50 per cent increase.

Usually, such a monetary expansion would have economists doing back-flips, but Kazakhstan's currency reserves have been strengthened by privatisation of two oil companies over the past three months, for which the republic received signing bonuses of more than $300m apiece. This money has been dedicated to the pension fund.

"We feel that this is the just thing to do. Our pensioners are the ones who built those enterprises, so it is fair they should be given the proceeds from the sale," said Mr Umirzak Shukeev, Kazakhstan's minister of the economy.

But when President Nazarbaev went on television to announce that the government would begin to repay the debts last month, banks initially did not share the government's confidence it would be able to foot the bill for the pension fund debt, which amounts to 20 per cent of 1996 budget receipts.

For the first few days after the announcement, banks bought dollars, and volume on Kazakhstan's currency exchange increased 2-3 times. "This is not traditional for a vacation month," said Dr Azamat Joldasbekov, General Director of the Kazakh currency exchange.

After a few days, however, the currency market quickly settled down, amid dollar selling by unnamed banks, and the pension repayment appears to be sailing smoothly for the time being.

Over the long term, Kazakhstan plans to reform its pension system along the lines pioneered in the early 1980s by Chile, where pension funds payments are diverted into private pension funds, which in turn invest in the country's capital market. Today, a large percentage of Chile's financial assets are held by its pension funds.

"This is a virtuous circle," says Mr Grigory Marchenko, head of Kazakhstan's commission on securities, describing the process whereby privatisation revenues are turned into pension payments, which are in turn invested back in the enterprise sector by way of the stock market.

An economist at a multilateral development bank in London agreed: "If it works, it will be revolutionary."

INTERNATIONAL NEWS DIGEST

# WHO warns on food disease

Hundreds of millions of people fall victim each year to diseases such as cholera and salmonella after eating contaminated food, the World Health Organisation said yesterday. But the United Nations agency said food-borne diseases were vastly under-reported, especially by developing countries or by authorities fearing that an outbreak would damage tourism and trade.

"Surveys in a few countries indicate that food-borne diseases may be 300-350 times more frequent than the reported cases tend to indicate," the WHO said in its World Health Statistics Quarterly. In industrialised nations, parasites and emerging pathogens present in animals but not visible at slaughter pose a challenge to the food industry and health authorities, the WHO said. Japan and Scotland, where the E. coli bacterium caused a rash of deaths last year, are among countries where cases are on the increase. *Reuter, Geneva*

■ AFGHAN DIPLOMACY

### Taliban in talks with US

An envoy from Afghanistan's Taliban government is holding talks with US administration officials and congressional aides in an intensification of the regime's efforts to gain US recognition.

Abdul Hakeem Mujahid, the Taliban's designated ambassador to the United Nations, last week failed to meet the General Assembly's credentials committee to claim Afghanistan's seat at the United Nations. The seat and most diplomatic posts are still held by the government which the Taliban Islamic army drove out of the capital, Kabul, last September. *AP, Washington*

■ ISRAEL BUDGET

### Committee approves cut

The finance committee of Israel's Knesset (parliament) yesterday approved a Shk600m ($170m) cut from the 1997 budget, paving the way for Israel to meet its deficit target of 2.8 per cent of gross domestic product this year.

The finance committee also approved an additional Shk180m cut from US aid to Israel, which will be transferred to Jordan according to a recent agreement between Israel and the US. The committee's approval is the final step before implementation.

Israel's cabinet convened yesterday to discuss budget targets and economic policy guidelines for 1998, after failing to approve next year's economic plan proposed by Mr Ya'acov Ne'eman, the finance minister, earlier this week. Proposals under discussion include a budget cut of Shk2.3bn aimed at reducing the budget deficit in 1998 to 2.4 per cent of GDP. *Avi Machlis, Jerusalem*

■ IRANIAN CABINET

### Hardliners threaten showdown

Conservative parliament members in Iran yesterday warned of a showdown in parliament over some of the cabinet nominations submitted on Tuesday by Mr Mohammed Khatami, Iran's new president.

Mr Khatami's 22-man cabinet list reflected the regime's differing factions. Although the Iranian parliament is dominated by conservatives, analysts say many members will vote individually, allowing Mr Khatami some room to manoeuvre. *Roula Khalaf, London*

# Ontario acts to suspend 7 N-reactors

By Scott Morrison in Vancouver

The chief executive of one of North America's biggest power companies has resigned after an independent report found safety standards at seven nuclear reactors were "minimally acceptable".

Ontario Hydro, the public utility, which exports electricity to the US and operates Canadian nuclear technology sold to four other countries, has pledged to close one heavy water plant permanently and seven nuclear reactors for at least a year and to spend up to C$8bn (US$5.7bn) upgrading its nuclear division.

The report, prepared jointly by independent US nuclear experts and members of the utility, declared that the technology employed in the "CANDU" reactors was robust. However it identified lapses in the company's management systems and procedures.

Mr Allan Kupcis has quit after taking personal responsibility for the nuclear division's poor performance. Mr William Farlinger, a veteran Toronto executive and Hydro chairman, will act as executive officer until a new president is appointed.

The utility plans to shut down seven of its 19 active nuclear units temporarily to update engineering systems, develop new management procedures and implement improved maintenance and work practices. One heavy water plant will be permanently shut down.

Ontario Hydro, which had C$9bn in sales last year, said it planned to boost electricity generation at active fossil-fuel burning production facilities, as well as bring mothballed units back to life, to compensate for the loss in nuclear production.

The utility said the four-year overhaul would not result in increased electricity prices. Export sales to the US market would not be likely to be affected this year but an official acknowledged exports could suffer next year. The safety assessment report comes as the Ontario government prepares a paper on the future of the public utility and the development of a competitive electricity market.

Ontario Hydro is also under pressure from US regulators, who have compelled US utilities to open their transmission lines to all suppliers that provide reciprocal treatment. Ontario Hydro is worried US regulation could endanger virtually all of its export revenue next year.


# Bananas dumped at Del Monte Fresh Produce

**A tonne of banana skins (pictured left) was dumped at Del Monte Fresh Produce's office in Kent, southern England, yesterday, in protest at the group's alleged treatment of banana plantation workers in Costa Rica, Maggie Urry writes.**

**The World Development Movement, a group lobbying for human rights, called on UK consumers to press for better conditions for workers.**

**Mr Peter Miller, Del Monte's sales director, spoke to protesters and gave them a copy of the company's employment policies. He promised to meet them again.**

**Del Monte Fresh Produce, a separate company from the Del Monte Foods canned fruit and juice group, said the allegations were "absolutely unfounded". It said: "Del Monte strives for optimum conditions for its workers and their families." Ms Harriet Lamb, a WDM campaigner, recently visited Costa Rica and met plantation workers. She said Costa Rican workers who joined trade unions were victimised, and that workers used hazardous pesticides which caused medical problems, and worked long hours for low pay.**

# Competition could cut US power prices 15%

By Bruce Clark in Washington

US electricity prices could fall by up to 15 per cent within two years, and utilities could face a plunge in the value of their assets if full competition in power generation was mandated next year, according to the Energy Department.

A report, published yesterday, on an issue hotly debated by academic economists and lobbyists, says that if full-scale competition in power production is mandated from next January – a much earlier date than is likely – average retail prices would probably fall by 8-15 per cent by 2000.

This figure includes a fall of two percentage points already expected as a result of the existing policy mix, allowing for wholesale but not retail competition.

But the outcome of deregulation will depend on how policymakers handle the issue of "stranded costs", incurred under the existing regulatory regime and cannot be recovered through lower prices.

The utilities want the right to pass on to consumers the stranded costs – past investments, especially in nuclear power, that were guided by government policy and might not have been undertaken in free-market conditions.

If regulators refuse to mandate any stranded cost recovery, US utilities could face a plunge in the value of their assets, currently about $400bn, of between $72bn and $169bn and "there could be a number of bankruptcies", the study says.

The report also examines a less probable scenario of "intense competition" – where many producers had access to customers and engaged in price-cutting to grab market share – and it estimates prices could fall by as much as 24 per cent.

The scenarios laid out refer to a much more radical approach to deregulation than is likely to be adopted.

Only two states, California and Massachusetts, are expected to introduce retail competition next year.

The US administration has so far resisted pressure from a growing lobby which wants the federal government to mandate retail competition throughout the country by an early date.

Advocates of this policy have quoted repeatedly from a study by two professors at Clemson University, South Carolina, who predict a price reduction of 43 per cent, and a recurring GDP gain of $191bn from freeing up the sector.

Opponents of this view cite the work of Mr Matthew Kahal, an energy economist who found "serious errors" in the two professors' work, including the assumption that competition would even out fluctuations in energy demands.

*Electricity prices in a competitive environment. Energy Information Administration, Forrestal Building, Room 1F-048, Washington DC 20585.*

Midwest success has been such that a tight labour market may now be threatening the economic renaissance

# Great Lakes states discard their rustbelt image

Stroll down State Street, the pedestrian shopping mall in the centre of Madison, Wisconsin, and it appears every second outlet is seeking new staff.

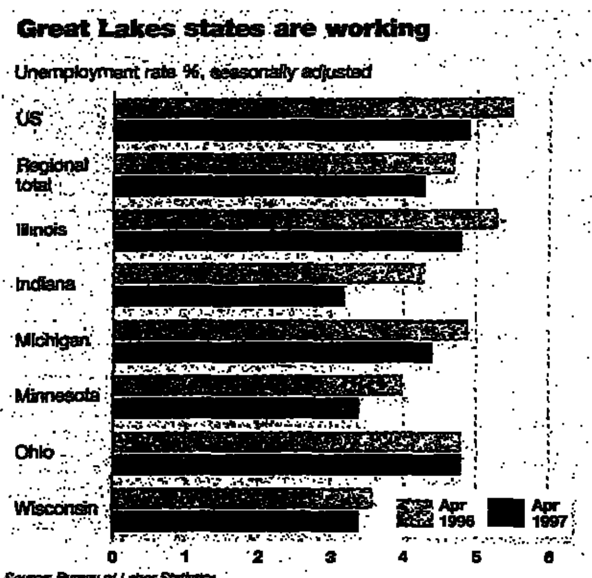
Handwritten "Help Wanted" signs dangle in the windows of small restaurants and gift shops, while larger store chains post more formal advertisements for a range of positions, from cooks and receptionists to sales managers.

In Madison, Wisconsin's capital, with a population of 200,000, unemployment has dropped to just 1.7 per cent, according to the latest Bureau of Labor Statistics data. The surrounding Dane county has one of the lowest jobless rates in the US.

While Madison may be an extreme example – it scores highly in the "lifestyle" stakes, and was rated last year by Money magazine as the best place in the US to live – the town's labour market experience is also fairly typical of large pockets of the Midwest.

In the five core states which the regional Federal Reserve Bank in Chicago defines as the Midwest (Illinois, Indiana, Iowa, Michigan and Wisconsin) unemployment stood at just 3.9 per cent in June, down from 4.7 per cent 15 months earlier. That was more than a full percentage point below the national rate of 5 per cent. (If Ohio is included, which it is in the Bureau of Labor Statistics definition of the Great Lakes states, the contrast is almost as marked.)

This should be cause for celebration, providing clear evidence of the Midwest's success in discarding its rustbelt image and revitalising its manufacturing base. After all, for a decade and a half to 1992, the region's jobless rate outstripped the US overall, as its core industries sought to compete internationally. During the early-1980s, unemployment even went into double-digit figures.




But now the big question is whether an increasingly tight labour market could threaten the Midwest's economic renaissance, forcing up wages and, in the end, prompting businesses to invest elsewhere.

This week, the Chicago Fed noted that Midwest manufacturing activity had fallen for a second successive month in June. All categories of local activity had grown more slowly than at a national level. The Fed concluded this could "indicate the Midwest manufacturing sector is pushing on capacity constraints".

"It's not so much a problem as a concern," elaborates Mr Bill Testa, senior economist at the Chicago Fed. "The concern is that if the availability of the workforce isn't there, jobs will go elsewhere... We don't know, regionally or nationally, just how elastic the workforce can be."

Already, there have been signs that labour market shortages are having an effect on wage levels. Mr John Metcalf at the Wisconsin Manufacturers and Commerce organisation says: "About a year ago, there was a fairly dramatic increase in entry-level wages."

Examples of locally based companies investing outside the region also spring readily to his mind – although he is reluctant to draw too firm a link between employee availability and investment decisions.

Not everyone is pessimistic. Ms Diane Swonk, economist at the bank First Chicago NBD, concedes that labour market constraints are the biggest issue but thinks in the immediate future countervailing influences will probably prevail. She notes the continuing impact of Japanese-owned plants, working with non-unionised labour, in the motor industry.

Despite some well publicised union disputes with the "Big Three" US carmakers, settlements "have been fairly favourable" to the manufacturers, she suggests.

Cost-cutting has also become increasingly "institutionalised" across the region's manufacturing sector, pushing annual productivity gains at the heavy end to around 5 per cent and making wage concessions more affordable.

Another trend has been the squeezing out of older, more expensive workers. This has coincided with aggressive social programmes in states such as Wisconsin aimed at moving welfare recipients into the formal wage economy. In short, there has been a discernable move towards a cheaper labour force.

Even so, no one pretends that such trends are easily sustainable. One obvious solution would be to encourage labour migration into the Midwest.

This has had limited success, however. From a climate point of view, the region lacks the appeal of the south and west, and – despite recent gains – wage levels remain well below those of the West Coast, for example.

Even those companies which say they have yet to encounter labour market shortages admit that the issue is clear on their radar screens. For example, John Deere, the large Illinois-based agricultural machinery manufacturer, concedes that its highly stable workforce is maturing, with the average age now at 47.

"That is already prompting active consideration of how to find replacements – through linkages with technical schools, universities and the like. "In the next five to seven years, the challenge will be how to secure the right replacement people," it says.

**Nikki Tait**





Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| ½ hour period ending | Provisional Price for Trading on 14.08.97: Pool purchase price £/MWh | Final Prices for Trading on 17.07.97: Pool purchase price £/MWh | Pool selling price £/MWh | TS use of system price £/MWh |
|---|---|---|---|---|
| 0030 | 11.86 | 10.11 | 10.11 | 0.00 |
| 0100 | 11.86 | 10.01 | 10.01 | 0.00 |
| 0130 | 11.86 | 10.01 | 10.01 | 0.00 |
| 0200 | 11.86 | 10.01 | 10.01 | 0.00 |
| 0230 | 11.86 | 10.01 | 10.01 | 0.00 |
| 0300 | 11.86 | 9.90 | 9.90 | 0.00 |
| 0330 | 11.86 | 9.90 | 9.90 | 0.00 |
| 0400 | 11.86 | 10.01 | 10.01 | 0.00 |
| 0430 | 10.27 | 10.01 | 10.01 | 0.00 |
| 0500 | 10.27 | 9.90 | 9.90 | 0.00 |
| 0530 | 10.30 | 9.90 | 9.90 | 0.00 |
| 0600 | 10.30 | 10.00 | 10.00 | 0.00 |
| 0630 | 10.30 | 10.01 | 10.01 | 0.00 |
| 0700 | 11.86 | 15.58 | 15.82 | 1.16 |
| 0730 | 11.86 | 16.51 | 16.75 | 1.16 |
| 0800 | 15.30 | 18.43 | 18.67 | 1.16 |
| 0830 | 15.96 | 17.13 | 17.38 | 1.16 |
| 0900 | 16.77 | 18.53 | 18.81 | 1.16 |
| 0930 | 17.35 | 18.62 | 18.93 | 1.16 |
| 1000 | 17.63 | 18.86 | 19.19 | 1.16 |
| 1030 | 17.64 | 22.60 | 22.85 | 1.16 |
| 1100 | 17.64 | 18.99 | 18.35 | 1.16 |
| 1130 | 17.67 | 22.75 | 23.14 | 1.16 |
| 1200 | 23.86 | 18.91 | 19.31 | 1.16 |
| 1230 | 23.84 | 18.82 | 19.18 | 1.16 |
| 1300 | 23.81 | 18.54 | 18.86 | 1.16 |
| 1330 | 17.34 | 18.41 | 18.70 | 1.16 |
| 1400 | 16.31 | 18.27 | 18.64 | 1.16 |
| 1430 | 16.30 | 17.15 | 17.41 | 1.16 |
| 1500 | 23.74 | 17.14 | 17.40 | 1.16 |
| 1530 | 23.74 | 17.13 | 17.39 | 1.16 |
| 1600 | 16.30 | 17.15 | 17.41 | 1.16 |
| 1630 | 23.75 | 21.82 | 22.09 | 1.16 |
| 1700 | 28.75 | 21.79 | 18.65 | 1.16 |
| 1730 | 28.75 | 21.79 | 22.05 | 1.16 |
| 1800 | 16.28 | 21.75 | 22.00 | 1.16 |
| 1830 | 15.95 | 16.86 | 17.11 | 1.16 |
| 1900 | 15.96 | 21.73 | 21.98 | 1.16 |
| 1930 | 15.95 | 16.81 | 17.05 | 1.16 |
| 2000 | 15.96 | 16.86 | 17.10 | 1.16 |
| 2030 | 15.95 | 15.60 | 15.84 | 1.16 |
| 2100 | 15.64 | 15.60 | 15.84 | 1.16 |
| 2130 | 25.30 | 16.86 | 17.10 | 1.16 |
| 2200 | 25.30 | 23.89 | 24.13 | 1.16 |
| 2230 | 18.09 | 23.89 | 24.13 | 1.16 |
| 2300 | 18.09 | 23.89 | 24.13 | 1.16 |
| 2330 | 15.30 | 16.86 | 17.10 | 1.16 |
| 2400 | 15.54 | 15.58 | 16.82 | 1.16 |

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NEWS: WORLD TRADE

# French apples may yet appeal to Japan

By David Owen in Paris and Emiko Terazono in London

Japan, which has eagerly embraced French designer brands and its wines and spirits, is now grudgingly poised to open its doors to French Golden Delicious apples.

After 18 years of trying, it seems France has finally convinced the Japanese authorities that they will not risk exposing their country to the threat of infestation by alien insects and bacteria when they allow imports of the French fruit next month.

French agriculture ministry officials say that the Japanese are insisting on stringent fumigation and refrigeration measures aimed at eliminating any possible danger from three specific menaces: fire-blight, coddling moth and Mediterranean fly. They say discussions are continuing about possible exports of other apple varieties.

Although Japan officially liberalised this market in 1971, it rejected imports through strict quarantine rules about pests and diseases until 1993. The quarantine procedures were viewed as a structural trade barrier by foreign agricultural exporters, although the Japanese contended the matter as purely technical.

It seems unlikely that gaining access to Japan – where a single apple can cost as much as FFr25 ($4) - will enable France to add significantly to these figures, at least in the short term. Japanese apple farmers have succeeded in marketing the fruit as a luxury product and apples are often sent as gifts, in individual wrapping.

Foreign apples already suffer an image problem. Japanese consumers failed to show enthusiasm for US apples which entered the market in 1994. Japanese retailers cited the lack of sweetness in foreign apples as one factor. Sales of US apples were also hurt by the popular perception, propagated by consumer groups, that the imported apples were soaked in preservatives to help them survive the journey across the Pacific.

Japanese retailers have also supported domestic apple growers by helping them to reduce costs. Many large supermarket chains tied up with farmers to cut out the distribution costs, hence lowering the price of the fruit to enable them to compete against cheap imports.

The Golden Delicious brand accounts for about half of France's 2m tonnes a year of apple production. Just over a third of this, 700,000 tonnes, is exported, contributing significantly to the country's burgeoning trade surplus and making France the world's biggest apple exporter.

The bulk of this exported fruit – 650,000 tonnes – is sold in Europe, with the apple-loving UK constituting the largest market, at 190,000 tonnes.

The principal Asian market is currently Thailand. French officials say Asian consumers have hitherto shown a predilection for red apples such as Fuji. It would not be altogether surprising if this remained the case.

# Betamax 2: incompatibility returns

## Electronic industry shaken as Sony and Philips declare war over recordable DVDs

There was widespread relief throughout the consumer electronics industry two years ago, when Sony and Philips joined an industry-wide effort to develop a new technology for digital versatile disc (DVD), the advanced compact discs.

If Sony and Philips had pressed ahead with their original plan to adopt a different technology from their rivals, the industry would have confronted a repetition of the battle that dogged the video cassette's debut in the early 1980s, when the two companies pitted their Betamax format against their rivals' ultimately successful VHS system.

Having settled the original differences over DVD, the industry now faces a format war on another front. Yesterday, Sony and Philips announced that they were breaking ranks to develop their own version of DVD-Ram, the recordable form of DVD-Rom, the new computer discs which act like sophisticated CD-Roms.

Unless another compromise can be reached, consumers will have to choose between two competing versions of DVD-Ram when they go on sale early next year. Mr Reinier Dobbelmann, industry analyst at SBC Warburg in Tokyo, suspects this would imperil the chances of orchestrating a successful launch. "All consumers need is a whiff of incompatibility and they'll stop buying," he says.

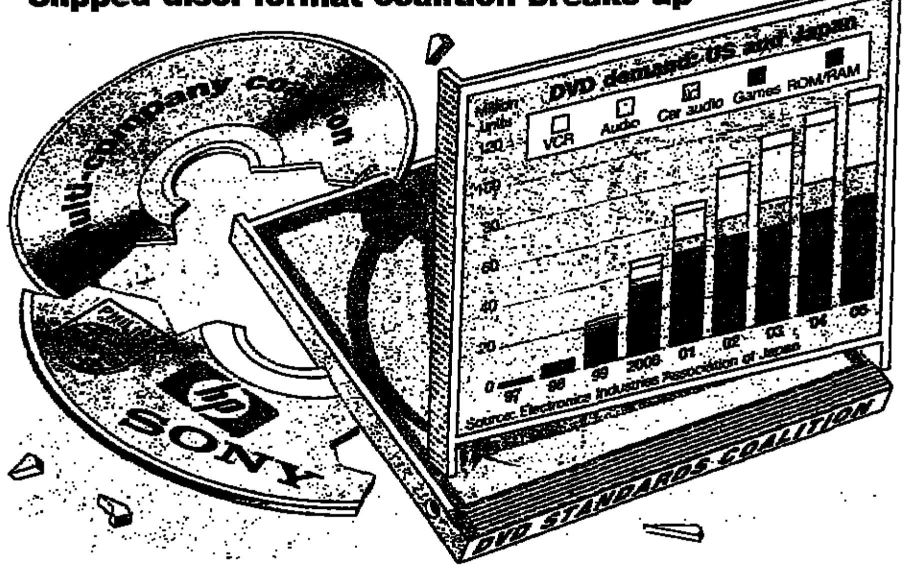
The stakes are high for Sony, Philips and their peers. Any industry looks forward to the debut of a promising new product, and the consumer electronics sector desperately needs one right now.

Most of the products that fuelled the industry's growth in the 1980s, notably video cassette recorders and compact disc players, are mature. Moreover, consumer electronics faces fierce competition from computing, which has replaced it in the eyes of most consumers as the source of innovative new products.

DVD-Video, the entertainment version of digital versatile disc which reproduces feature films with audio-visual quality superior to video cassettes', has already gone on sale in Japan and North America, and will be launched in Europe this autumn. Judging by its progress, DVD-Video promises to fulfil industry sales targets.

Expectations are even higher for DVD-Rom, the computer version of the new discs, which have higher memory capacity than CD-Roms and can relay moving images as well as static ones, and DVD-Ram, its recordable counterpart. A recent forecast from BZW in Tokyo suggested that 60m units of DVD-Rom and DVD-Ram hardware will be sold in 2000, against 40m DVD-Video players.

Slipped disc: format coalition breaks up




The progress of DVD-Rom and DVD-Ram is also of greater strategic importance to the consumer electronics industry, because it offers an *entrée* into the dynamic computing market. Most electronics manufacturers, notably Sharp, Sony and Matsushita, have built up lucrative businesses by selling components to computer makers, but have had less success in establishing their own branded products in that sector.

The commercial prospects for DVD-Rom and DVD-Ram will be determined partly by factors outside the industry's control.

One issue will be the availability of the new MMX Pro computers, which are sufficiently powerful to take full advantage of DVD-Ram's potential but will not reach the mass market until next year.

Such considerations fade into insignificance compared with the threat of a DVD-Ram format war. Sony and Philips signalled their misgivings about the proposed technology for DVD-Ram last year, only to appear to fall in line with the rest of the industry in April by agreeing to adopt a common format.

That format was due to be formally endorsed next week at a meeting of the European Computer Manufacturers Association in the Japanese city of Kobe. However, Sony and Philips have recently voiced new concerns about the technology.

Neither company has specified the details of its objections, but Mr Dobbelmann suspects it may have more to do with the proposed division of royalties payable for use of the disc technology than with technical matters.

Sony and Philips are understood to have tried to persuade other electronics and computer manufacturers to back their DVD-Ram technology. So far, the only one to have joined their camp is Hewlett-Packard, one of the largest US computer equipment makers.

Despite the advance lobbying, yesterday's announcement appeared to catch their rivals unawares, not least because many of the large Japanese electronics companies are closed for summer holidays.

Another bout of cross-industry negotiations now seems inevitable, in the hope that a new agreement can be struck before next week's meeting in Kobe. Mr Dobbelmann is hopeful that a compromise will be reached. "There's too much at stake for them not to sort it out," he says.

**Michiyo Nakamoto and Alice Rawsthorn**

# Chile asks US for salmon talks

By Imogen Mark in Santiago, and Reuters

Chile has asked the US for bilateral consultations next month in the framework of the World Trade Organisation's dispute settlement system, to try to counteract American accusations of illegal subsidies to its salmon industry, according to WTO officials in Geneva.

The Chilean letter requesting the consultations, filed earlier this month, argued that the decision by the US Department of Commerce to initiate a subsidies investigation into salmon imported from Chile was taken "in the absence of sufficient evidence concerning the subsidies investigated and the injury they cause".

More specifically, Chilean Foreign Minister Jose Miguel Insulza says Chile has already agreed a timetable to dismantle support mechanisms which do not meet WTO regulations.

"The nature of those subsidies and the timetable to eliminate them was agreed in the process of the Uruguay Round. The US was a signatory to those agreements, so it is incongruent for its Commerce officials now to be considering applying sanctions for those same subsidies."

US salmon producers claim their Chilean competitors enjoy "soft" credits from state agencies and state support for their marketing efforts, and last month the Commerce Department ruled that there was a case to answer. If it finds evidence in favour of the US producers, the Chileans could face tariffs of up to 40 per cent on their product.

Chile's immediate concern is that in September they could face the imposition of temporary countervailing duties.

Chile now has about 50 per cent of the US market, with exports are worth an estimated $130m a year.

# S Korea complains to WTO over US

By John Burton in Seoul

South Korea yesterday filed a formal complaint with the World Trade Organisation against the US for its refusal to lift anti-dumping measures against Korean memory chips.

It is the second WTO complaint that South Korea has recently filed against US anti-dumping procedures and represents a new aggressive stance by Seoul in rebutting allegations that it tries to sell products at below-market prices abroad.

The latest WTO complaint by South Korea concerns a May 1993 ruling by Washington which imposed dumping duties on memory chips exported to the US by LG Semicon and Hyundai Electronics, two leading semiconductor companies.

South Korea last month expected that LG and Hyundai would be dropped from a list of companies facing annual anti-dumping investigations because they had been assessed for minimal anti-dumping duties of less than 0.5 per cent for the past three years, – normally leading to automatic exclusion from further probes.

But the US Trade Representative ruled that the two chipmakers would be subject to continued investigations as a recent sharp fall in global memory chip prices raised concerns that the Korean companies might dump their products in the US.

Although the current low anti-dumping margins place little burden on the Korean chipmakers, Seoul complained that the investigation process was long and costly for the companies.

Seoul last month filed a similar complaint with the WTO concerning US anti-dumping investigations of Korean colour television sets.

It said that Korean TVs had not been subject to anti-dumping duties for the past six years, but Washington insists on continued investigations.

# Thais pledge IMF aid will be used for reserves

By Ted Bardacke in Bangkok

The International Monetary Fund (IMF) and the Thai government yesterday pledged that the $16bn emergency international financing package put together earlier this week will be used exclusively to replenish Thailand's international reserves and cover a potential balance of payments shortfall.

The indication came as analysts questioned whether the funds would be enough to prevent a balance of payments crisis if the package were used to plug other holes in Thailand's finances, particularly to engineer a bailout of struggling financial institutions.

Funds provided by the IMF and the parallel disbursements from bilateral donors were "absolutely not" available to help clean up the country's troubled financial system, said Mr Hubert Neiss, Asia Pacific Director of the IMF and leader of the IMF team negotiating with Thai authorities over the past two-and-a-half weeks.

"These funds are there for balance of payments use; it is expected they are mostly for international reserve holdings. This package should be an adequate response to the severe economic and financial difficulties with which the Thai economy is faced," Mr Neiss declared.

He was speaking as Thai authorities signed a formal agreement with IMF staff, to be presented to the IMF executive board for approval next week. During the talks, good governance and transparency, topics on which the IMF was placing increasing importance, "were always an issue. It's been in the background throughout the entire process."

It was up to the Thai government to disclose the specific conditions contained in the agreement, Mr Neiss added.

"We will try to summarise the essential points of the agreement once the board of directors of the IMF have approved the contents," said Mr Thanong Bidaya, finance minister. "We may not announce all the details of the agreement because there might some points that might be taken advantage of by some parties. So we have to be careful about announcing all the details."

Mr Neiss said the funds would be made available on a quarterly basis, providing the IMF with ample opportunity to monitor use of the funds and the Thai government's adherence to the targets in the programme. There has been no discussion on whether an IMF resident representative would be appointed.

IMF staff were suggesting to the executive board that the disbursements be front-loaded, giving Thailand access to a good portion of the credit right away, Mr Neiss said, but he would not disclose the amount immediately available on approval of the programme.

# Beijing leadership hammers home its reforming zeal

China's official press has beaten the economic reform drum so insistently recently the reformist mainstream could be accused of overkill.

Scarcely a day passes without press commentary about the desirability of market reforms with Chinese characteristics, although China's leadership appeared long ago to have achieved broad consensus on policies aimed at further advancing Deng Xiaoping's legacy.

President Jiang Zemin, at best a lukewarm reformer, seems intent on burnishing his reformist credentials before a National Party Congress due in September, and in the process outflanking opponents on both left and right.

Typical of fare from a hyperactive propaganda machine were articles on three successive days last week in People's Daily, the party newspaper, which belaboured the old centrally planned Stalinist system and lauded the new.

"We ran a planned economy for more than 20 years and created the foundations of industrialisation, but it was still an economy of scarcity and an economy of poverty," said the paper.

The press campaign provides a drumbeat for discussions at Beidaihe, a summer retreat near Beijing, where China's leaders are preparing for the party congress, the seminal event on the political calendar each five years.

The 15th congress is assuming greater than usual importance because it will be the first since China began its economic transformation to be held without Deng, architect of China's opening to the outside world.

It also provides Mr Jiang with an opportunity further to consolidate power. He appears to have concluded that the best means of securing his position is to assume unequivocally Deng's reformist mantle.

> 'Jiang is saying, "If you disagree with me... you are a leftist, and that's what we'll label you with" '

To this end, the press has focused on 1992 when Deng, in what proved a last hurrah, re-launched the reform drive during a tour of southern China. Mr Jiang is now seeking to attach himself to the successes of the past several years.

"Jiang appears to have nailed his colours to the reformist mast. He is saying that the Deng Xiaoping legacy, 'as defined by me', starts in 1992, thus providing a formal re-definition of the latest phase of reforms," said a western official who monitors domestic politics.

Mr Jiang's campaign began in earnest on May 29 in a 25,000-character speech to senior party officials which championed speedier reform and made clear his determination to press on vigorously with the transition to a market-based system.

China's press blitz has reflected Mr Jiang's words, which will form the basis of his address to the party congress. He seems intent on providing the ideological underpinning for much reduced state involvement in industry, and he may even embrace the phrase "public ownership" as cover for a more concerted privatisation drive.

For weeks, China's media have been softening up likely opposition from the left to such a move, not that beleaguered opponents of the pace of market reform appear to constitute significant opposition. As a western official said: "It seems they have been setting up a straw man. I haven't felt the left is strong enough to be worth struggling against. But Jiang is saying, 'If you disagree with me, that's what you are, a leftist, and that's what we'll label you with'."

People's Daily echoed these sentiments last week when it said central planning had failed to eliminate scarcity and only the market could make the nation rich and strong.

While lofty debate about the efficacy of the market has dominated headlines, at the Beidaihe gathering it is certain to be backroom manoeuvring about personnel changes which are preoccupying leaders. And here, it seems, Mr Jiang is not necessarily having things all his own way.

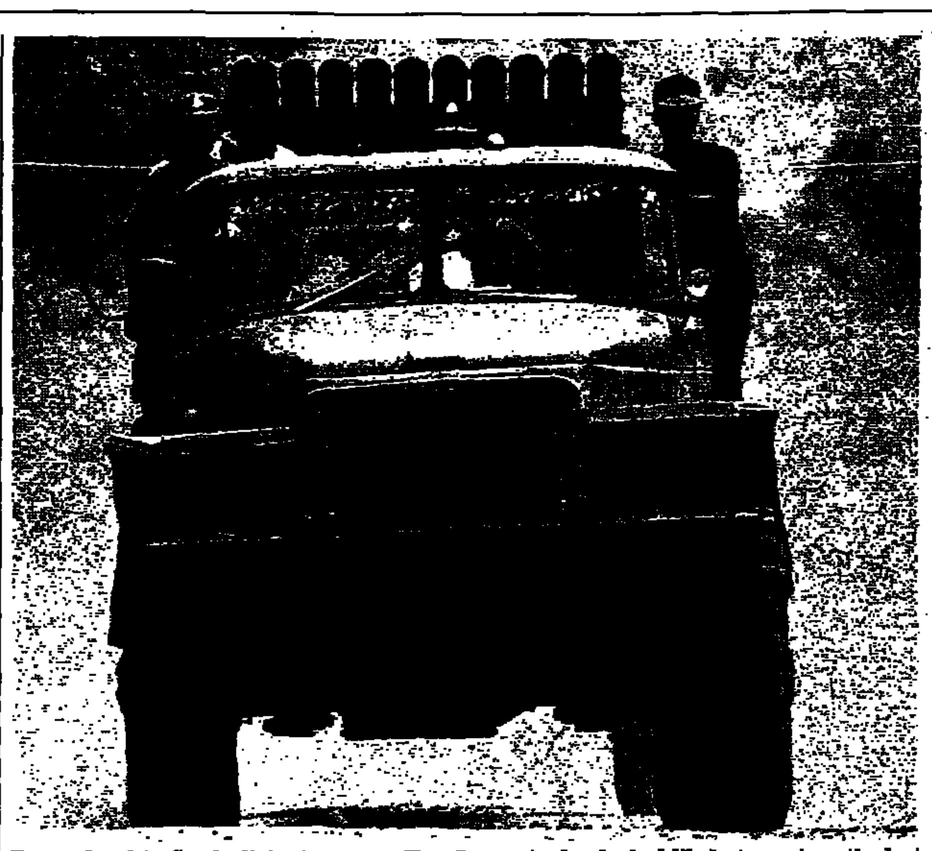
Earlier attempts to impose his own slate of candidates for top positions were rebuffed. Argument has persisted through much of the summer in an effort to arrive at a factional balance.

There seems not much doubt Mr Zhu Rongji, executive vice premier, will become premier, but it is not clear agreement has been reached on a job for Mr Li Peng, the outgoing premier whose term expires early next year.

Difficult negotiations are also understood to be continuing over an enlarged standing committee of the politburo, China's peak body. There is talk of increasing numbers from seven to nine, but disagreements persist about membership.

Such disagreements attest to the limits on Mr Jiang's authority. Haggling may continue well into September. China's leaders, at their summer retreat, are playing for high stakes.

**Tony Walker**



Troops loyal to Cambodia's strongman Hun Sen yesterday looked likely to capture the last stronghold of Prince Norodom Ranariddh, ousted first prime minister. In Beijing the prince's father, King Norodom Sihanouk, yesterday indicated he would consider withdrawing a threat to abdicate, a step which would have risked a constitutional crisis in Cambodia. The king, who is in Beijing for medical treatment, said after meeting Hun Sen that his offer of abdication had been refused. "The delegation – in particular his excellency Hun Sen – assured N. Sihanouk of its fidelity and its support for the king, whose offer to abdicate it did not accept," he said in a statement. *Picture by Reuter*

## Further candidates emerge in presidential race

# Waters muddied for Korea's 'Mr Clean'

By John Burton in Seoul

Support for the front-runner in South Korea's December presidential election has collapsed because of alleged family scandals, according to a new opinion polls.

Mr Lee Hoi-chang, a former supreme court judge and prime minister, appeared assured of winning the election to succeed President Kim Young-sam when he was nominated as candidate of the governing New Korea party three weeks ago.

But allegations that his two sons dodged compulsory military service by failing their medical examinations under questionable circumstances has damaged Mr Lee's "Mr Clean" image, which was the basis of his popularity as voters sought a fresh face to fight endemic political corruption.

The populist opposition has effectively used the incident to suggest that Mr Lee has used his elite political status to gain special treatment for his sons while most young Korean men are forced to serve in the armed forces.

Before the incident was disclosed, Mr Lee enjoyed a comfortable lead over two veteran opposition leaders, Mr Kim Dae-jung of the centre-left National Congress for New Politics and Mr Kim Jong-pil of the conservative United Liberal Democrats.

But two opinion polls in leading Korean newspapers this week revealed Mr Lee was neck-and-neck with Mr Kim Dae-jung in a three-man race. The possibility that the two main opposition parties might unite behind Mr Kim Dae-jung would give him a seven-point lead over Mr Lee, according to a poll in the Dong-A Ilbo newspaper.

This is not the only bad news for Mr Lee. The popular mayor of Seoul, Mr Cho Soon, yesterday said he would stand as candidate for the minor opposition Democratic party.

Mr Cho, who was a prominent government supporter of economic reforms in the late 1980s, is vying with Mr Lee for a close second place finish behind Mr Kim in a four-man race, according to the polls.

Although Mr Lee could normally rely on the powerful political machine of the governing party to stage a recovery, there are indications that the party might soon split.

This would be caused by the possible candidacy of Mr Rhee In-je, who narrowly lost to Mr Lee in the party nomination convention last month. Mr Rhee, a young provincial governor described as Korea's answer to Mr Tony Blair, UK prime minister, and US President Bill Clinton, could attract the support of party veterans who oppose Mr Lee as a troublesome newcomer.

The possibility of five candidates vying for the presidency would reduce the chances of Mr Lee winning since four of them would split the centre-right vote that is the base for the governing party's strength. The crowded field would increase the odds that Mr Kim Dae-jung, who is making his fourth bid for the presidency since 1971, would win.

# HK commerce backs initiatives

By John Ridding in Hong Kong

The Hong Kong General Chamber of Commerce, the territory's main business federation, says it backs a "middle of the road" approach to industrial policy, proposing some initiatives to support industry but rejecting significant government intervention.

The chamber's position, outlined in a letter to Mr Tung Chee-hwa, the territory's post-colonial leader, is likely to ease fears of a shift in economic policy. "We are cautious in our advice while arguing for some forward-looking initiatives," said Mr James Tien, the chamber's chairman. "The government's industrial policy so far has been quite successful, otherwise we wouldn't be as prosperous as we are now."

Industry policy emerged as one of the main areas of debate ahead of Hong Kong's return to Chinese sovereignty last month. Some prominent business leaders had called for a review of policy, prompting predictions the handover could be marked by a shift towards an interventionist economic policy and steps to strengthen manufacturing.

While the chamber declined to publish its proposals, it signalled support for government assistance and funding in training and infrastructure. It also said it wanted the government to examine certain steps to support manufacturing, which has seen its share of GDP fall from 22 per cent in 1987 to less than 10 per cent.

One possible scheme involves creation of a border processing zone where mainland workers could be used by Hong Kong companies. The aim would be to assist relatively labour-intensive industries such as textiles. Such a scheme, however, would require accord with trading partners that rules of origin were not breached.

Dr Y S Cheung, the chamber's acting director, said the association was opposed to subsidies for industry. He said it also rejected Singapore-style measures to target specific sectors for development and the establishment of targets for manufacturing output. "Few industrialists would like to see the government in the driving seat of industrial development," he said.

# Pakistan moves to combat terrorism

By Farhan Bokhari in Islamabad, Pakistan

Pakistan's lower house of parliament, the national assembly, yesterday passed a controversial bill to combat growing terrorism, on the eve of the 50th anniversary of the country's independence.

The bill follows an unprecedented recent rise in violence involving militants belonging to rival Shia and Sunni Moslem sects, which has intensified insecurity across Pakistan and cast a shadow over celebrations marking the creation of a Moslem homeland five decades ago.

The legislation gives sweeping new powers to the security agencies, including allowing raids without search warrants to arrest individuals suspected of involvement in terrorism.

The Human Rights Commission of Pakistan, a private watchdog, criticised the measures, saying: "The police will, under this bill, have the sanction of the law to take extreme steps in pursuit of mere suspicion."

Analysts said Mr Sharif's biggest problem would be to prevent police from misusing enhanced powers. "Preventing the police from going berserk while sorting out this mess is the real issue," said a senior government official last night.

MPs of the opposition PPP (Pakistan People's party) walked out of the assembly in protest. Mr Khurshid Shahid, deputy opposition leader, described the bill as an infringement of "fundamental human rights".

The bill must now pass through the upper house but passage into law appears a formality. The ruling Pakistan Moslem League of Mr Nawaz Sharif, prime minister, has a large majority in both houses of parliament.

At least 170 people have been killed in recent attacks involving militants of rival Shia and Sunni Moslem sects. Mr Sharif told MPs the bill was the "only option" to combat the recent upsurge. "Exemplary punishment must be given to the culprits to deter the others from doing the same," he added.

One western diplomat in Islamabad said last night: "Pakistan's political stability and its recent economic reforms are at stake. Sharif has decided to get tough, curb the problem even if it makes him unpopular, because saving his reforms is far more important for him."

Meawhile, Mr Sharif yesterday defended the country's track record since its creation, saying: "Enemies of Pakistan are trying to portray it as a failed state." Describing himself as a member of the "born-free" generation of Pakistanis who were born after the partition, Mr Sharif said that he was keen to enter an "economic [reform] race" with neighbour and arch-rival, India, rather than carry on an "arms race".

Poverty puzzle, Page 10

## EU experts' doubts arouse fear that easing of beef export ban may be delayed

# Scientists reopen 'mad cow' fracas

By Alison Maitland in London

Scientists in Brussels have raised doubts about the safety of cattle semen, calling for a review of the only UK beef product that is exempt from the European Union's worldwide ban on exports of British beef and its derivatives.

UK officials are worried that any move to declare semen unsafe on the grounds that it might transmit BSE, or "mad cow disease", would jeopardise efforts to win concessions from the 17-month-old ban for beef classed as safe from the disease. A clampdown on the small UK export trade in semen would be damaging politically and a severe blow to exporters' hopes of increasing sales as British cattle genetics improve in the next 10 years.

A review of the safety of semen has been requested by the multidisciplinary scientific committee set up by the European Commission to investigate and advise it on BSE-related problems.

The committee has asked a German scientist at the Berlin institute for the protection of consumer health and veterinary medicine to report back on September 8 on whether BSE can be transmitted through bovine semen and embryos.

"He has been asked to see if the trade in semen and embryos has to be stopped or can be recommended [to continue] without danger," said a Brussels official.

The September meeting promises to be controversial. On the agenda is the demand from US tallow manufacturers to be exempted from new EU meat safety rules which threaten their lucrative export trade. The scientists will also consider whether to extend the definition of "specified risk material" – the parts of cattle and sheep banned because they are most likely to carry BSE – to include intestines.

Semen was included in the export ban announced in March last year but exempted three months later along with gelatine and tallow. However, the Commission was unconvinced that processing methods for gelatine and tallow were sufficient to destroy the BSE agent and reinstated the ban on them.

An embargo on embryos from the UK remains in place, according to government officials.

Commission officials said doubts had been raised about semen and embryos by UK evidence that the disease can be passed from cow to calf. It is not known how maternal transmission, which is thought to occur at a rate of under 2 per cent, takes place.

Any move to declare semen unsafe would complicate UK attempts to win EU approval for exports of beef from herds that have not had BSE – and from animals born after last August, when it became illegal to hold stocks of potentially contaminated feed made from meat and bonemeal.

# DuPont to enlarge N Ireland factory

By John Murray Brown in Dublin

DuPont UK, part of the US chemicals company, is to invest £78m ($127m) in a Northern Ireland plant manufacturing lycra, a synthetic fibre often used in sports clothing.

The investment at the factory at Maydown, outside Londonderry, will increase capacity by 30 per cent in response to growing global demand. The factory is one of the largest exporters in Northern Ireland.

Mr Dieter Siegel, DuPont European regional director for lycra, estimated that worldwide demand for the product increased by almost 20 per cent in volume terms in the first half of 1997. He said: "This is the best first half we've had in the fibre's history. We feel we're well placed for another 25 years of growth."

DuPont, which invented lycra, a registered trademark, has invested £478m in its Northern Ireland operations since it became the first US company to move there in 1960.

The factory will employ a total of 900 people, making lycra, neoprene – the synthetic rubber – and kevlar, a product used in the aerospace industry and in protective clothing.

With DuPont producing lycra in 10 plants worldwide, it estimates that, by 1999, its capacity will rise by 40 per cent through plant expansions and productivity improvements.

The Northern Ireland plant is one of two in Europe making the product, the other being in Dordrecht in the Netherlands, which faces higher costs.

The expansion is being supported by a £12.5m grant from the Industrial Development Board, the British government's regional investment authority.

The Maydown factory developed the latest lycra technology. DuPont is expanding its Singapore plant which, with Maydown and Waynesboro in the US, are the only three factories using the new process.

UK NEWS DIGEST

# Funds loophole to be closed

The Securities and Investments Board, the City of London watchdog, yesterday issued proposals designed to plug a loophole in the rules governing unit trusts (mutual funds) which was exploited last year by Mr Peter Young, the rogue Morgan Grenfell fund manager.

The proposed move, almost a year after the Young affair came to light, confirms a "self denying ordinance" which the Association of Unit Trusts and Investment Funds recommended to its members last year. The loophole concerns shares and other securities which are not listed on a recognised stock exchange. Mr Young inflated the value of the funds he ran by investing heavily in such unlisted securities – a problem which cost Morgan Grenfell's parent some £220m ($358.6m) of compensation.

Unit trusts are not allowed to invest more than 10 per cent of their portfolio in these relatively high risk securities. But there is no limit on the amount a trust can invest in pre-listed securities – securities which are due to be listed within 12 months of their issue. The SIB proposes that the 10 per cent limit encompasses pre-listed as well as unlisted securities. *Jean Eaglesham, London*

■ MUSIC INDUSTRY

## Sales of records drop 8%

The music industry suffered a second successive quarterly decline in sales from April to June, when £191.86m ($312.63m) worth of records were sold, according to new figures from the British Phonographic Industry – a fall of 8 per cent over the same period last year.

The decline was most dramatic in the album market, traditionally the main source of record companies' profits, where sales fell by 8 per cent in value to £165.59m and 11 per cent by volume to 35.85m units. Record executives attributed the downturn to the dearth of exciting second quarter releases. *Alice Rawsthorn, London*

■ MACHINE TOOLS

## Export figures show decrease

The turnover of machine tools for export fell by 13.5 per cent in the second quarter compared with the first, the Office for National Statistics reported yesterday. The rise more than offset a 6.5 per cent rise in domestic turnover, but compared with the same period in 1996, overall turnover increased by 3.1 per cent.

At the end of June, the ONS estimated total orders on hand for machine tools to be £448m, ($730.24m) 18.8 per cent lower than in 1996. *Richard Adams, London*

■ COMMERCIAL VEHICLES

## Hope that downturn may be over

The market share of imported vehicles rose to more than 53 per cent in July this year compared with just over 48 per cent in July 1996.

Total registrations of all commercial vehicles in the first seven months of this year climbed 1.1 per cent to 141,307, while the share of imported vehicles was virtually unchanged at 49 per cent. A slowdown in the rate of decline in truck sales last month offered embattled commercial vehicle makers and importers hope that the downturn in their industry may be nearly over. Registrations of commercial vehicles weighing more than 3.5 tonnes fell by 1.4 per cent in July against July last year. Registrations of vans derived from cars weighing up to 1.8 tonnes fell by 23 per cent. *Haig Simonian, London*

**UK truck registrations: July 1997**

| | Jul 1997 Volume | Jul 1997 % change | Jul 1997 % share | Jul 1996 % share |
|---|---|---|---|---|
| Total | 2,035 | -1.41 | 100.00 | 100.00 |
| Imports | 1,432 | 15.30 | 70.37 | 60.17 |
| Leyland Daf (Paccar*) | 354 | -26.86 | 17.40 | 23.45 |
| Iveco Group** (Fiat) | 355 | 2.31 | 17.44 | 16.81 |
| Mercedes-Benz (Daimler Benz) | 399 | 7.26 | 19.61 | 18.02 |
| Volvo | 223 | -11.51 | 10.96 | 12.21 |
| Scania (Investor) | 225 | 15.38 | 11.06 | 9.45 |
| MAN | 241 | 61.74 | 11.84 | 7.22 |
| ERF | 103 | -18.25 | 5.06 | 6.10 |
| Renault | 90 | 45.16 | 4.42 | 3.00 |

Names in brackets indicate ownership. * Paccar also own Foden
** Includes Iveco, Ford and Seddon Atkinson
Source: Society of Motor Manufacturers and Traders; industry estimates

# Airline may be denied happy landing

## Carrier's fight to control airport is vigorously opposed, writes Charis Gresser

Should an airline control the airport it uses? "Yes," says Mr Stelios Haji-Ioannou, the founder of the low-cost airline EasyJet. "Absolutely not," says Mr Franco Mancassola, the chairman of Debonair, one of its rival carriers.

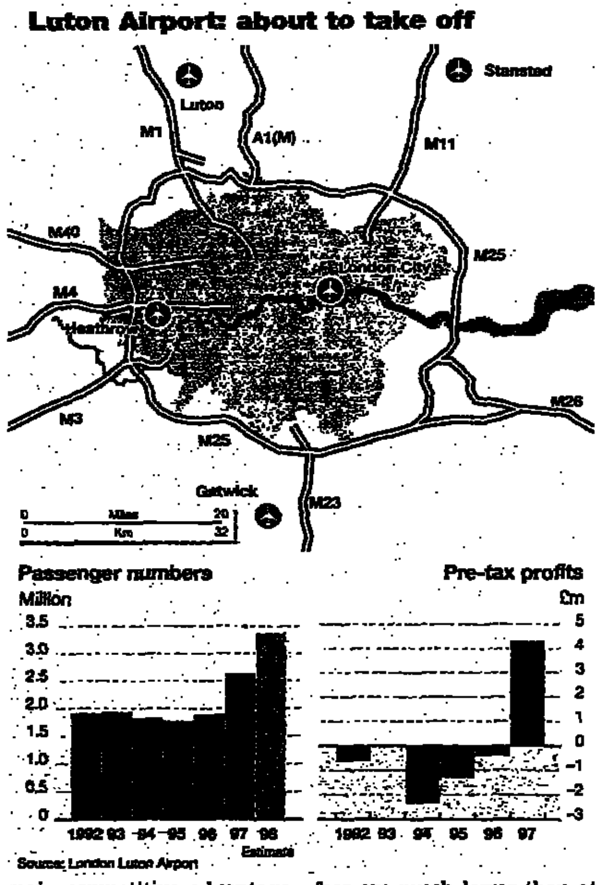
The airport in question is London Luton Airport, 45km north-west of the capital. Last month, the airport's owner, Luton Borough Council, announced it was looking for a commercial partner, which would win the concession to the airport in return for a hefty £170m ($277m) investment plan.

After years of lagging behind other regional airports, Luton's fortunes changed in 1995, when EasyJet based its operations there with the promise of flights "as cheap as a pair of jeans".

Luton's passenger numbers have jumped by 42 per cent in the past five years to 2.7m, and EasyJet carries about half of them. But Mr Haji-Ioannou warns that this growth can continue only if the airport expands its terminal and taxiway, and he says that EasyJet is well placed to do it.

"Luton is ideal for low-cost carriers," he says. "If it falls into the hands of a third party that uses it as a cash cow, that pushes up costs for the airlines and we lose our main competitive advantage against airlines like British Airways."

**Luton Airport: about to take off**




Source: London Luton Airport

Airport costs, such as landing fees and slots, account for some 10 per cent of EasyJet's total costs. The fees are much lower than at Heathrow, London's principal airport.

But capacity at Luton's terminal and taxiway is running out. EasyJet has six aircraft and plans to triple the size of its fleet over the next two years. With Luton as it is, there will be no room.

EasyJet's proposals are for a purpose-built terminal designed to suit the profile of a low-cost carrier. For the traveller this would mean checking in directly at the gate. The role-model is South West Airlines in the US, which has regularly built its own wing or area of a terminal.

But what of EasyJet's rivals which also use Luton, such as Debonair and Ryanair? Surely they are justified in feeling nervous at a competitor controlling not just the lay-out of the terminal, but also the all-important slots? Since these are proving to be the stumbling block to the giant British Airways/American Airlines alliance, their importance cannot be overstated.

Mr Haji-Ioannou reckons there is "plenty of competition legislation" to deal with this, together with a common goal of keeping landing charges down.

Neither Luton council nor Debonair accepts that argument. Mr Mancassola says bluntly that EasyJet's plans will "never happen".

"It's like the poacher turned gamekeeper. The airline would call all the shots, or slots if you will. It's wishful thinking on EasyJet's part," he says.

Debonair has seven aircraft and operates out of European hubs such as Barcelona and Munich as well as Luton.

Luton council has declared: "We will ensure that our chosen partner operates the airport in the best interests of all its airline customers and in the public interest. Therefore it is clearly not appropriate to consider selecting a partner with links to any airline operating at the airport either now or in the future."

And there are plenty of non-airline companies keen to exploit the commercial honeypot that Luton could represent. TBI, which already runs three airports, has made no secret of its desire to expand. Mr Keith Brooks, TBI's chief executive, says Luton's main attraction is its site near the M1 motorway and the fact that it is served by up to eight trains an hour to London.

With the right investment, management and infrastructure, Luton has the potential to handle as many as 5m passengers in four to five years, says Mr Brooks.

But TBI could face competition from Lockheed's Airport Group International, which wants to expand in the UK.

# Port of Dover may escape privatisation

By Charis Gresser in London

The Port of Dover, the busiest in Britain, may have escaped privatisation following an independent report suggesting that its status should remain unchanged for the time being.

The port in south-east England, which was given its royal charter in 1606, had been lined up for sale by the previous government in 1995. The plans were shelved after an appeal involving two of Britain's most emotive icons, the Queen Mother and Dame Vera Lynn, the singer noted for her performances before military audiences during the second world war.

The port authorities commissioned a report to examine future options for the port's administration. It is understood the report argues that the status of Dover, which is now that of a trust port, should be left unchanged, at least for the next five to 10 years.

Written by Deloitte Consulting, part of auditors Deloitte & Touche, the report has been submitted to the office of Mr John Prescott, deputy prime minister.

A trust port is essentially a self-governing entity, administered by a trust, but ultimately owned by the state. The Dover Harbour Board, which has administered the port for the past 400 years, has said it would not oppose privatisation if a government insisted on it.

Mr Prescott is expected to respond to the report next month, but is thought unlikely to force a sale against the recommendations of the independent report. The government said recently it would not force the sell-off of the Port of Tyne in north-east England, one of the other trust ports on the auction block.

Mr Prescott is thought to favour partnerships between the public and private sectors. This, combined with the difficulties that trust ports face when they need to raise money, could mean some eventual modification to their administration.

Other options, which could include the port being run by a consortium of its larger customers, are unlikely to work because they would be too unwieldy.

Ferry traffic dominates the port's activities, accounting for three quarters of the business of Dover Harbour Board. But competition from the Channel tunnel between England and France has forced the port to diversify into leisure-related projects including a cruise terminal.

The port reported pre-tax profits of £5.1m (£2.1m) on turnover of £43m (£39.8m) in 1996. The profit figure was boosted by the receipt of £1.2m from land sales.



# Central bank warns over rates

By Robert Chote and Richard Adams in London

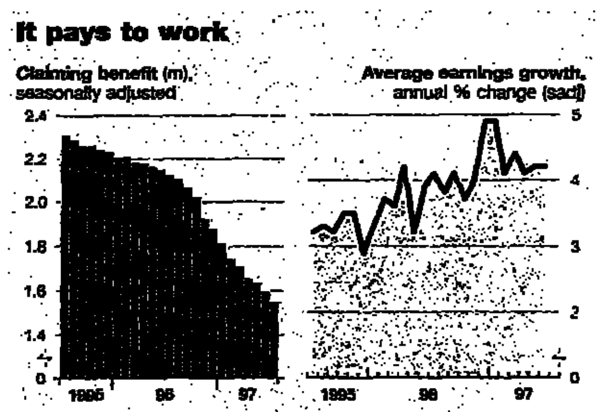
The Bank of England, the UK central bank, warned yesterday that UK interest rates may not have peaked yet, as official figures showed the number of people unemployed and claiming benefit in Britain falling to a 17-year low.

The Bank said that interest rates now looked consistent with the government's 2.5 per cent inflation target in two years. But the risks still "appear to be more on the upside", the Bank said in its quarterly Inflation Report.

Base rates have been raised a quarter-point in each of the last four months, taking them to 7 per cent. This has reduced the Bank's forecast for inflation two years ahead from nearly 3 per cent since May, assuming no further base rate changes.

"Monetary policy has now reached a position at which it should be possible to pause in order to assess the direction in which the risks are likely to materialise", the inflation report said.

**It pays to work**




Source: ONS

Mr Mervyn King, the Bank's chief economist, added that it was too early to say in which direction base rates would move next. "We have not decided that the next move in interest rates would be upward and that the only uncertain factor is how long we wait."

The Bank said that strong consumer spending would continue to drive economic growth in coming months, with windfalls from the demutualisation of home loans and savings institutions adding 1 percentage point to consumption growth this year.

But sterling's strength is now leading to "severe pressures" on industries exposed to international competition. This would help slow the economy into 1998, but only temporarily.

● The Office for National Statistics reported yesterday that claimant unemployment fell by a seasonally adjusted 49,800 last month, although the fall was exaggerated by changes in the number of students claiming benefit.

This took the headline unemployment total to 1,550,000, below the trough it reached at the end of the 1980s boom. The proportion of the workforce unemployed dropped to 5.5 per cent, its lowest since April 1990. Annual growth in average earnings was unchanged at 4.25 per cent.

Mr Jonathon Loynes, UK economist at HSBC, said: "These figures provide a further hint that the UK is enjoying a US-style combination of strong activity, low unemployment and subdued wage growth."

Editorial comment, Page 11
Lex, Page 12

# Fears on exam standards deepen

By Simon Targett, Education Correspondent

Fewer school pupils are taking traditional academic subjects at A level, prompting concern that the "gold standard" school qualification is fast losing its reputation as primarily a university entrance examination.

Subjects such as History, Law, French, German, Economics and Classical Studies – all of which used to form the backbone of any application by students attempting to win places at elite universities – have proved less popular this year.

The AS examination – an A level standard qualification taken after just one year and often combined with full A levels to give a broad-based sixth form education – attracted only a 6.6 per cent increase in entries, compared with an 11 per cent increase last year.

Mr Peter Smith, general secretary of the Association of Teachers and Lecturers, a trade union, said: "It is worrying that French, German and Italian – major commercial languages – all show a decline in entry. Why is it that in the whole of England, Wales and Northern Ireland, less than a thousand students chose AS German this year?"

By contrast, some newer A level subjects such as media studies and sports studies, which are often eschewed by admissions tutors at traditional universities and employers at "blue chip" companies, have been taken up by more pupils than ever before.

Overall, A level entries rose by 5.2 per cent, bringing the total to 776,115 compared with 739,183 last year. Yet most of the increase came in the less academic subjects.

Professor Alan Smithers, of Brunel University, says the transition to less academic subjects, together with the fact that the pass rate has again risen by 1.3 per cent to reach a record of 87.1 per cent, points to the changing nature of the A level.

"The A level used to be the tool for selecting the few to go to university. But it is no longer an elite qualification, and it has become more of a badge of achievement."

**Shift in pupils' A level choices**

| Subjects taken | 1996 | 1997 | % chg |
|---|---|---|---|
| Classical Subjects | 7,345 | 6,451 | -12.2 |
| Economics | 24,580 | 20,873 | – 15.1 |
| French | 27,490 | 25,918 | -5.7 |
| German | 10,719 | 16,561 | -1.5 |
| History | 48,355 | 42,547 | -13.6 |
| Law | 11,982 | 11,550 | – 3.6 |
| Biology | 51,894 | 56,534 | +8.9 |
| Business Studies | 29,100 | 33,359 | + 14.6 |
| Chemistry | 40,455 | 42,456 | +4.9 |
| English | 86,627 | 93,546 | + 7.9 |
| General Studies | 53,454 | 45,114 | -15.2 |
| Maths | 67,442 | 69,142 | +2.5 |
| Physics | 32,801 | 33,508 | +2.2 |
| Psychology | 23,877 | 27,209 | +14.0 |
| Media/Film/TV studies | 8,885 | 11,517 | +29.6 |
| Sociology | 2,987 | 30,139 | +9.0 |
| Sports Studies | 9,732 | 13,102 | +34.6 |

Source: Joint Forum for the GCE and GCSE

● The government yesterday climbed down over plans to limit the number of students entitled to exemption from the annual tuition fee of £1000 ($1,630) to be charged by universities next year. Baroness Blackstone, the education minister, said: "Students who have agreed a firm or conditional deferred entry place for 1998 – taking a 'gap year' in 1997 – will be treated as if they are entering higher education in 1997."

The rise in the A level pass rate raised fears that thousands of well-qualified students may lose in the race for the remaining unfilled university places.

# Hormonal make-over

**Victoria Griffith on the emergence of an important new class of drug**

Hormones are often blamed for everything from bad behaviour among adolescents to bad marriages. Yet the public image of these substances, which are released in the body to regulate different functions, may soon receive a make-over.

Researchers believe hormones might soon emerge as an important new drug class for treating a wide range of illnesses, from obesity to cancer.

The first examples of this new generation of drugs are poised to be launched over the next few years.

Ligand, the small pharmaceutical group, is pinning its hopes for a new way to control diabetes on a synthetic hormone called Targretin, which has just entered clinical trials. The company is also working on hormonal treatments for various cancers and heart disease.

Eli Lilly, the pharmaceutical group, hopes to have a drug for osteoporosis, the bone disease, on the market soon. The drug, Raloxifene, is based on Lilly's synthetic version of the hormone oestrogen, and is in Phase III clinical trials, the last step before submission for approval to the US Food & Drug Administration. The company is also studying oestrogen's impact on Alzheimer's disease.

Many scientists believe hormones represent an enormous and relatively untapped source of pharmaceuticals. "There are probably dozens, if not hundreds, of hormones out there that we haven't even discovered yet," says David Mangelsdorf, a researcher with the Howard Hughes Medical Centre in Texas.

Like other compounds, hormones take effect by binding with proteins in the body in a lock-and-key mechanism. Each lock, it is presumed, has a corresponding key. Intriguingly, researchers have identified a number of molecular "locks" with the shape of a hormonal receptor; yet they bind with no known hormones. "We know these locks are there, so the keys – the undiscovered hormones – must be around somewhere," says Richard Heyman, who heads retinoid research at Ligand.

Hormones were first discovered in the 1930s, when scientists pinpointed the influence of steroidal compounds such as oestrogen, progesterone and testosterone on sexual and reproductive functions. They were used in a handful of pharmaceutical products – most notably in the birth control pill – but for decades after were largely ignored as a source of potential drug treatments.

In the late 1980s, the advances of molecular biology, which allowed scientists to study lock-and-key mechanisms, led scientists to believe the steroidal hormones were probably just a small portion of a huge compound class that is responsible for regulating a host of physiological functions.

The discovery changed the way researchers view hormones, and physicians started to experiment with new uses for the substances. In the early 1990s, a class of hormones called retinoids began to be used for the treatment of skin wrinkles. The hormone DHEA has been promoted as an anti-ageing drug. The natural version of oestrogen is already widely used as a prevention mechanism for osteoporosis.

Because naturally-occurring hormones are difficult to patent the pharmaceutical industry took little interest in them until recently, when they began to experiment with synthetic hormones. Synthetic hormones, it is hoped, will screen out unwanted side-effects so the drugs cause only positive responses in patients.

Hormones are sometimes called "natural drugs" because they cause proteins to produce enzymes, which in turn control the way the body functions. The trouble is that the same hormone has different effects in different tissues. They trigger the production of both good and bad enzymes. The bad enzymes cause unwanted side effects.

A micrograph of one type of oestrogen crystal *Science Photo Library*

Undesirable side effects are behind the controversy over oestrogen replacement therapy, recommended to post-menopausal women as a way to prevent osteoporosis. Yet it may also increase a woman's chances of getting breast cancer. While studies have downplayed those risks, the therapy remains controversial.

Eli Lilly has responded by creating Raloxifene. As a synthetic oestrogen, it is hoped that the drug can help prevent bone loss while avoiding the augmented risk of breast cancer. "By shaping a new molecule, we hope to create a key that fits into certain bone tissue proteins but slides off certain breast tissue proteins," says John Termine, leader of the company's Raloxifene programme.

Another hormonal property boosts the stakes to the industry: since the substances are likely to be used more for prevention than for treatment, patients may be forced to take hormonal drugs for the rest of their lives. That means many years of revenue for the drug industry.

Hormones seem to have the largest impact on age-related diseases – heart disease, cancer, diabetes, obesity, Alzheimer's and osteoporosis are all illnesses that disproportionately affect the elderly. The significance of this relationship is still unclear, but scientists are putting together some theories.

"People seem to be born with a pre-set ability to produce a certain number of hormones," says Ron Evans, chairman of the California-based Salk Institute and a leading hormone expert. "As we age, we make fewer hormones." Fewer hormones in turn means fewer of certain enzymes, whose absence makes it easier for disease to take hold.

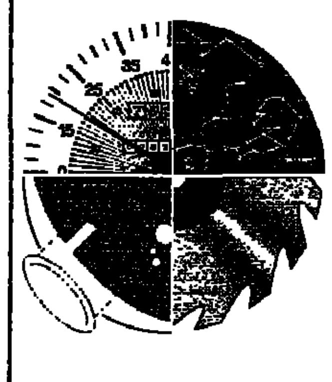
Ligand, for instance, believes that retinoidal hormones are responsible for the production of insulin. As the number of retinoids in the body decreases, diabetes occurs. By replacing the retinoidal hormones in the body, Ligand theorises, Targretin can constitute a prevention device.

While it is tempting to see hormones as a potential pharmaceutical fountain of youth, scientists caution that very little is known about their precise impact on the body. "While ageing is probably hormone related, it's unlikely that people will be able to pop a pill that cures all the ill effects of getting older," says Mangelsdorf. "But we may be able to selectively target specific age-related diseases."

The belief that there are large numbers of undiscovered hormones, as well as the wide variety of responses each hormone elicits, has created hope that hormones can be used for intervention in many ailments.

Synthetic hormone drugs would be patentable, available in oral form, and likely to be taken over long periods of time. Since that means potentially large profits, research may proceed quickly over the next few years.

## Worth Watching · Vanessa Houlder



### 'Greener' vehicle on liquid nitrogen

The prospect of tighter pollution controls has fuelled advances in vehicles powered by gas and electricity.

But engineers at the University of Washington reckon that the search for a truly "green" car should instead be focused on liquid nitrogen. They argue that liquid nitrogen is potentially safer, more economical and more ecologically sound than the alternatives.

They have built a prototype that is powered using the pressure built up when super-cooled liquid nitrogen is converted to a gas. A specially-designed heat exchanger system prevents the build-up of frost, which has thwarted previous efforts to build a liquid nitrogen vehicle.

One snag with the prototype is that it will only travel a fifth of a mile per gallon. Although the researchers think its efficiency can be improved to two to three miles per gallon, it would still need a large tank to travel substantial distances.

*University of Washington: US, tel 206 5436321; http://www.washington.edu/*

### Unit analyses foodstuff smells

An electronic "nose" that can judge the freshness of milk and other ingredients has been designed to speed up tests by the food processing industry.

Moragas, a miniature analysis unit developed by the Fraunhofer Institute for Biomedical Engineering, has olfactory sensors that can detect and analyse the smell of a foodstuff. By comparing this data with information stored in a database, the system can raise an alarm if there is anything wrong with an ingredient.

The researchers argue that the system is simpler and faster than traditional methods of testing ingredients, which involve taking test samples for analysis in a laboratory.

*Fraunhofer Institute for Biochemical Engineering: Germany, tel 6894980276; fax 6894980400.*

### Salmonella vaccine in final tests

A salmonella vaccine for poultry, which could substantially reduce the risk to humans from food poisoning, is in its final stage of testing.

A scientist at Washington University in St Louis genetically engineered a weakened form of the most common strain of salmonella, which induces an immune response in chicken. Chicks given a dose of the vaccine develop a lifelong immunity to salmonella which is passed onto their eggs and offspring.

The vaccine has been licensed to Megan Health, a St Louis-based company which hopes to win a licence for the vaccine from the US Department of Agriculture by the end of the year.

The researchers believe the vaccine could greatly reduce the number of food poisoning outbreaks blamed on salmonella, which have become more frequent in recent years.

*Washington University: US, tel 3149355267; http://www.wustl.edu/*

### A shipping problem ironed out

After garments are shipped to another country, they usually need to be ironed before they can be sold.

This step can be avoided using a process that packs a batch of clothes into a vacuum-sealed bag at the factory. Warm air is blown across the garments to dehumidify them before they are sealed into the bag. The process also reduces the volume of the clothes, cutting down the shipping costs, according to Qualpak UK, which has developed the system.

*Qualpak UK: UK, tel (0)1708 711900; fax (0)1708 375919.*

# A higher quality note

**Unwanted resonances are the bugbear of high fidelity sound reproduction and the loudspeaker panel is the source of most of the problem.**

**Now a new range of low resonance loudspeakers uses thin sheets of slate for the casings to damp unwanted resonances. The idea has been developed by Bryn Jones, a music technology lecturer at Bangor University in North Wales, an area famous for its slate industries.**

**Many materials have been tried to eliminate the vibrations caused by loudspeaker panels resonating in sympathy with the sound frequencies of the speaker cone, but none with complete success. Specially developed plastics and metals including steel all have been used but generally have given way to the traditional use of wood.**

**Jones has found that slate, which is more inert and rigid than wood, gives a purer sound by eliminating the unwelcome secondary vibrations from the cabinet. Specially developed epoxy resin is used to make the joints to ensure that the box is airtight, an essential requirement for distortion free sound reproduction.**

**The shape and size of the speaker cabinets have been determined after detailed research and development using state-of-the-art audio instrumentation.**

**The speakers are being manufactured to order by a slate works to harness the local skills of handling the material using locally mined materials. The slate is being cut into 12mm or 15mm thick panels which are polished smooth to prevent the sound scattering off rough surfaces. Craftsmen assemble the panels which form the casing which are analysed by computer to ensure the production of matched pairs.**

**The new speakers sell for about £3000 a pair, and will be geared to the top end of the hi-fi market where it is expected that the quality will justify the cost.**

**Michael Sibley**

ARTS

Cinema/**Nigel Andrews**

# That sinking feeling

In late summer, press shows are weird and interesting occasions. As the silly season's last shreds of movie credibility are rent in twain like the veil of the temple, preview theatres start to swarm with unknown and unidentified people. They come in and sit down, taking those spaces left by critics who have been driven to desperate vacations.

Who *were* all those folk laughing and gasping along at this week's *Speed 2: Cruise Control*? A 20th Century Fox claque? Director's Jan De Bont's Dutch relatives? And who were all those people filtering in and out of the revived Indian film *The Cloud-Capped Star*, shown in the British Film Institute's private theatre deep below the Soho earth? Lost Nibelungen? Skyving BFI employees?

Perhaps they were maintenance people sent in to restore the veil of the temple, a biblical fitting I have pictured ever since childhood as a sort of vast prototype movie curtain. Cinemas today, though, which are this century's temples of worship, are in danger less of having veils rent than of being turned over to the money-changers. *Speed 2: Cruise Control* is par for a summer that has given us *The Fifth Element*, *Batman And Robin*, *The Lost World* and *Men In Black*.

The techno-visual ingenuities of these films are jangled in our faces like the trinkets in a near-Eastern

**SPEED 2: CRUISE CONTROL**
**Jan De Bont**

**THE CLOUD-CAPPED STAR**
**Ritwik Ghatak**

**HEAT AND DUST**
**James Ivory**

bazaar. Huckstering voices urge us to sample wares that are at once traditional and novel, brand new and old-world-reliable. It reminds me of the street vendor who once tried to sell me a knockdown chain and medallion in Cairo. "Is it silver?" I asked. "No," he said, "but it is *like* silver."

*Speed 2* is like a good movie. It has a story, stars – or one, in Sandra Bullock – and spectacle. It programmes in the statutory twists and turns. And its title conjures the wit and excitement of the last *Speed*, in which Bullock and Keanu Reeves drove a runaway bus wired up by Dennis Hopper.

That vehicle, you recall, could not slow down or it would explode. In *Speed 2* the luxury liner Bullock is on with her boyfriend Jason Patric, an undercover cop, cannot slow down either, but he tries to make it do so. Its electronics have been monkeyed with by sacked computer boffin Willem Dafoe, a very bitter man, and it is heading straight for an anchored oil tanker.

Where *Speed* had dash and originality, *Speed 2* is like *The Poseidon Adventure* for geriatrics. Every plot point is enunciated loudly into cupped ears, ours or the characters'. And every action coup is signalled in advance. We know that when a man says, "This boat cost me $150,000," after having it commandeered by the hero, the boat is not long for this world. And we know, when we first glimpse the Caribbean shoreline full of ostentatiously nonchalant natives, that two weeks after *The Lost World* yet another ship will carve into yet another helpless harbour.

In a fevered quest for surface novelty, the film has a villain who applies leeches to his body. In a tepid admission of its true banality, it has a deaf-and-dumb girl who functions both as a ready-made pathos figure and as a recipient of plot information dealt out, to her as to us, in overzealous sign language.

In *The Cloud-Capped Star*, made in 1960, the temple of cinema is still a temple. The veil is un-rent and the showbiz money-changers are nowhere in sight in this black-and-white tale of a rural family, where the breadwinning daughter (Supriya Choudhury) sacrifices her looks, her love-life and finally her health to support her needy or wheedling siblings and parents.

Writer-director Ritwik Ghatak is the forgotten man of Indian cinema: forgotten, at least, by a world believing that one international director, Satyajit Ray, is enough to represent a large but culturally mysterious movie nation. Ghatak is no Ray, or if he is it is Nicholas as much as Satyajit. But his melodramatic panache and livid, chiaroscuro humanism are worth sampling, especially in fresh prints struck for the National Film Theatre's Indian season.

In *The Cloud-Capped Star* the soundtrack is busily expressionistic, whether with the ominous bubblings that accompany Ma's appearances (as if her kitchen is a witch's cauldron) or with the shriek and roar of trains whenever destiny interrupts love or hope. Note too the wild lighting and extreme camera angles at emotional flashpoints. One would not give Ghatak high marks for subtlety. But sometimes savagery is more refreshing, especially lent weight and incandescence by a fine cast.

India celebrates 50 years of independence all over London at present. The National Film Theatre season also includes movies by Satyajit Ray and blockbusters from Bollywood. And the veil of the Curzon Mayfair is prised open this week to admit the return of James Ivory's 1982 *Heat And Dust*.

Here Julie Christie and Greta Scacchi bestride parallel tales of Indian life, set in the 1920s and 1980s. Ruth Prawer Jhabvala's script is delicately atmospheric. And Ivory captures the wry majesty of two eras echoing to each other across 50 years, like the distant salutational trumpeting of two howdah'd elephants, before and after the Raj.

'The Poseidon Adventure' for geriatrics: Sandra Bullock and Jason Patric in 'Speed 2: Cruise Control'

Broomhill Opera/**David Murray**

# 'Il Turco' sets a challenge

The Broomhill Trust's annual opera season is in swing again – though no longer at Broomhill, but in the excellent new theatre of Christ's Hospital School, near Horsham. The Trust runs a sort of intensive summer school for young professional and near-professional operatic performers, with special emphasis on the dramatic aspects of performance.

This is their fifth summer season. In their first, I saw an inventively funny *Ariadne* (Richard Strauss), directed by Jonathan Miller – repeated this spring at the Florence "Maggio Musicale" with non-English singers, to duller effect: the Italians didn't find the Cambridge Footlights style comical. Now, Simon Callow has staged a Rossini "dramma buffo per musica" for them, *Il Turco in Italia*, with just two-and-a-half weeks of rehearsals (but sometimes into the wee hours of the morning).

On the first night it was agreeable to watch, and often delightful to hear. By about the third night which happens to be tonight, everybody should have settled in better.

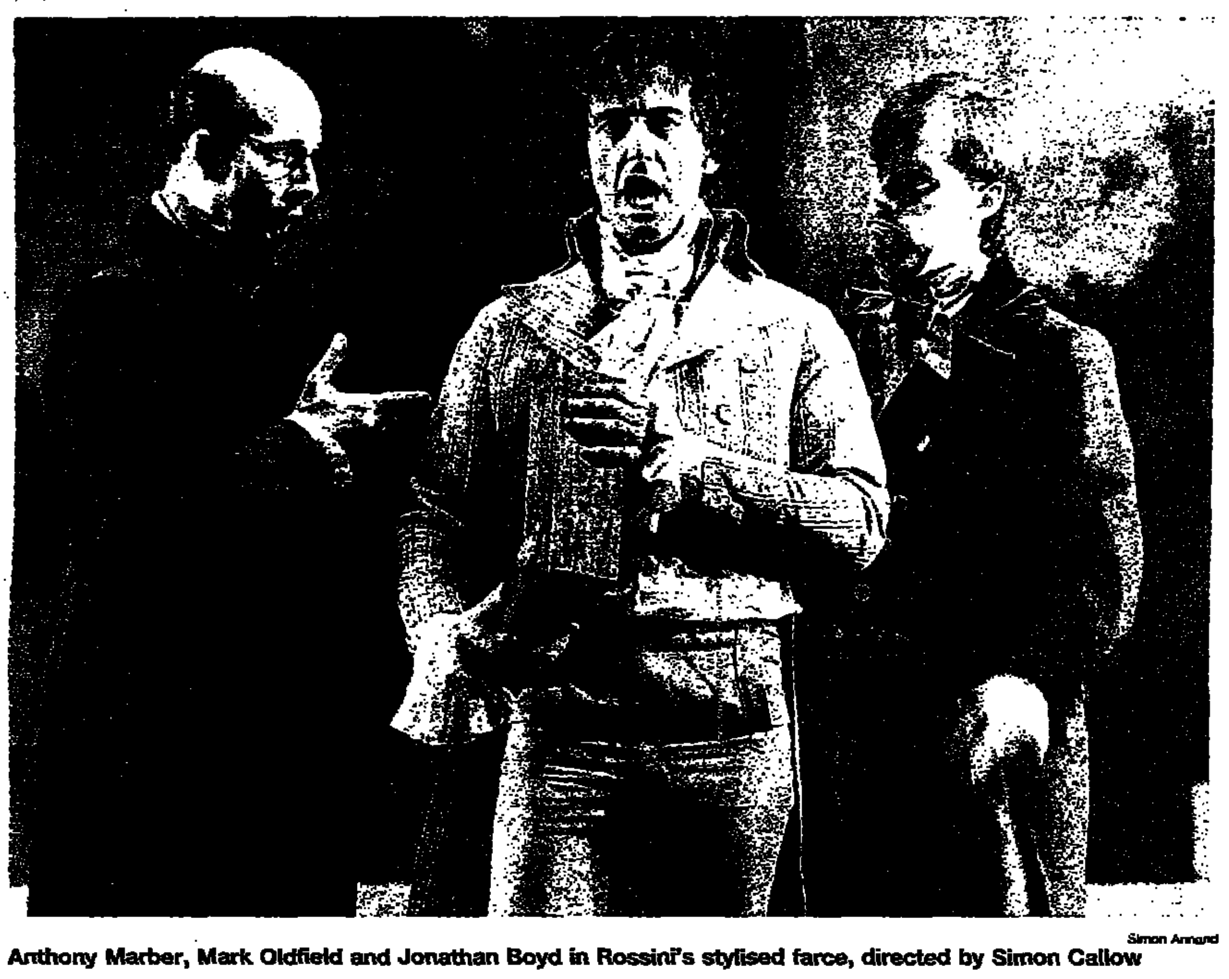
The thing is: the celestial passages in Rossini's pure comedies are damnably hard to act, because they freeze a duo, a trio or a whole ensemble into a single comic mode – outraged, vengeful or (best of all, as in *Cenerentola*) utterly at sea and baffled – in magically elongated time, whilst the music expands to great comic heights. Seasoned Rossinian performers cope through sheer practised invention; newcomers need practical experience. Here, we saw irresolute gaps between well-rehearsed *moues* and the next phase to come.

Only practice can make such gaps good. In stylised farce like Rossini's, those lapses let us down; we don't want these brittle figures to fade abruptly, leaving our appreciative smiles to wither between numbers. Otherwise, Broomhill offered promising vocal riches. They have imported two leading singers from across the Atlantic: Marguerite Krull, a cultivated mezzo, and Jonathan Boyd, a lusty high tenor.

The other mezzo – *Il Turco* has no soprano role – is Heather Shipp, whose voice has an individual colour. Anthony Marber lends his serviceable baritone to poor, cuckolded Geronio; another baritone, Mark Oldfield, enjoys himself as the Poet who is trying to draw a libretto from the comic action around him.

The most polished vocal performance comes from the bass-baritone Matthew Hargreaves, as the Turkish Pasha whose arrival in Naples sets the whole intrigue going. Charles Peebles directed the little Eos orchestra with spirit, imperfectly co-ordinated with the singers on opening night. Christopher Woods' designs are charming.

**More Broomhill *Turcos* at Christ's Hospital on August 14, 16, 19, 21 & 23; then at Tyne Theatre and Opera House, Newcastle, between August 28 & September 6.**



Simon Annand

Anthony Marber, Mark Oldfield and Jonathan Boyd in Rossini's stylised farce, directed by Simon Callow

Edinburgh Festival/**Alastair Macaulay**

# Slo-mo Shakespeare

Although each Shakespeare play reminds us now and then of several other Shakespeare plays, the most extraordinary sign of his greatness lies in the degree by which each play addresses something unique. In the Duke in *Measure for Measure*, you can feel Shakespeare returning to the political question that fascinated him in so many of his plays: who is worthy to rule? As the Duke wanders his own city in disguise, asking about the new government and about himself, he reminds us of Henry V wandering incognito before Agincourt and even ("Who is that can tell me who I am?") of Lear. But the greatest scenes in the play, which follow each other in quick succession, are three dialogues involving the eloquent and chaste Isabella: the first two pleading for her brother Claudio's life with the new governor Angelo, only to find that his price is her maidenhead, the third in explaining to Claudio that he may not obtain his life at a price she finds so shameful.

These three scenes are given their due in Stéphane Braunschweig's new production for the Nottingham Playhouse, which has opened at the Edinburgh Festival. His is a highly deliberate production, precisely choreographed and (one feels) conducted. In it, no point is overlooked. Thus Isabella (Lisè Stevenson), at the climax of her first scene with Angelo, does not merely say "Go to your bosom,/ Knock there and ask your heart what it doth know/ That's like my brother's fault", she goes herself to his bosom and, kneeling before him with arms upstretched, holds both her hands to his heart. The longheld gesture, though invoking his conscience, visibly seduces him. Or when, as later she rails at Claudio for wanting her to save his life even at that price, she says "Is't not a kind of incest to take life from thine own sister's shame?", she taunts her brother by lying, quasi-incestuously, on top of him. All these scenes here are mighty powerful.

Even so, they are far from natural, and you cannot miss the degree of calculation involved. When Braunschweig brought us his Francophone *Winter's Tale* in 1984, he anatomised the play and laid it out for us, lifeless on the slab. His *Measure for Measure* is not dead: but it is extremely controlled. You feel Braunschweig's finger forever on the freeze-frame or slow-motion buttons, ensuring that we pay correct attention to his clever analysis. It is a good production for students of Shakespeare's text. Not for festival-goers, however. Moreover, this highly stylised production has low standards of verse speaking.

Nonetheless, Lisé Stevenson as Isabella always holds our attention. She is the most apparently artless interpreter of Braunschweig's scheme, youthful, devout, and urgent. Paul Brennen's more cool and calculated Angelo is less compelling, but I have no quarrel with what he does. Jim Hooper's oily, sly, and arch account of the Duke, however, is objectionable from the first. It is a morally lightweight reading, as a result of which the play's second half – which hangs largely on the Duke's shoulders – becomes a mere suspense thriller, without, in this so-slow production, much suspense. For the first time in my experience, it is Escalus's description of the Duke ("One that, above all other strifes, contended especially to know himself") that is wrong, and Lucio's ("A very superficial, ignorant, unweighing fellow") that is right.

The production's overriding Concept is to make *Measure for Measure* appear to re-enact Famous Paintings. Thus at one point Angelo becomes an angel, wearing huge wings and a long sword while driving Adam and Eve (Claudio and Juliet) out of heaven (i.e. to jail). The ponderous fatuity of this is surpassed when, in the finale, Claudio appears on high as a *deus ex machina*, stark naked and holding up Ragozine's head. Geddit? He's Perseus with Medusa's head. Or is it David with Goliath's? And who cares? Braunschweig is also his own set designer; his huge revolving sets, which thrust several scenes out onto the apron of the stage, are as ponderous as everything else. Like the wheels of fate, they grind exceeding slow.

**At Royal Lyceum Theatre, Edinburgh, until August 26. Then Nottingham Playhouse; then touring to Dublin, Rome, Madrid, Paris, Orléans, Portugal.**

## INTERNATIONAL ARTS GUIDE

### ■ AMSTERDAM

**EXHIBITIONS**
**Van Gogh Museum**
Tel: 31-20-570 5200
Second of four summer exhibitions of drawings by Van Gogh. This time it is the turn of the works produced when the artist lived in Nuenen, 1883-1885. The exhibition is shown in two parts, with a changeover on Aug 18; to Oct 12

### ■ DROTTNINGHOLM

**OPERA**
**Drottningholms Slottsteater**
Tel: 46-8-4570600
Orfeo: Swedish premiere of Luigi Rossi's 1647 version of the legend of Orpheus. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette. With the Drottningholm Theatre Ballet and Orchestra; Aug 14, 16

### ■ EDINBURGH

**Edinburgh International Festival**
Tel: 44-131-473 2000
**DANCE**
Fish: by the Bangarra Dance Theatre. UK debut for the Australian company and world premiere of a work which tells contemporary stories of Australia's indigenous population drawing on ancient myths and sacred dreamings; at the King's Theatre; Aug 14

**OPERA**
Platée: by Jean-Philippe Rameau: Directed and choreographed by Mark Morris, this production – sung in French, with English supertitles – stars tenor Jean-Paul Fouchécourt in the title role, with Diana Montague and François le Roux as Junon and Jupiter. With the Mark Morris Dance Group, Royal Opera Chorus and Orchestra of the Royal Opera House. Conducted by Nicholas McGegan; at the Edinburgh Festival Theatre; Aug 14

### ■ LONDON

**CONCERTS**
**BBC Proms, Royal Albert Hall**
Tel: 44-171-589 8212
● Budapest Festival Orchestra: conducted by Iván Fischer in works by Bartók and Brahms, with pianist András Schiff; Aug 15
● Stephen Cleobury conducts the BBC Singers and Brandenburg Consort in a programme of choral works by Purcell, Fayrfax, Byrd, Sheppard and Handel; Aug 15
● Valery Gergiev conducts the Kirov Orchestra from the Maryinsky Theatre, St Petersburg, in works by Tchaikovsky, Shostakovich and Rimsky-Korsakov; Aug 14

### ■ LUCERNE

**CONCERTS**
**International Festival of Music**
Tel: 41-41-210 3080
● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 17, 19
● Gustav Mahler Jugendorchester: conducted by Pierre Boulez in works by Ravel, Bartók, Boulez and Stravinsky; at the von Moos-Stahl-Halle; Aug 16

### ■ PESARO

**Rossini Opera Festival**
Tel: 39-721-33184
**CONCERTS**
Coro da Camera di Praga: conducted by Romano Gandolfi in works by Schubert and Brahms. With pianist Raffaele Cortesi; at the Auditorium Pedrotti; Aug 14

**OPERA**
● Il Barbiere di Siviglia: In a staging by Luigi Squarzina. With the Ort-Orchestra of Tuscany, conducted by Yves Abel; at the Teatro Rossini; Aug 16
● Il Signor Bruschino: directed by Roberto de Simone. With the Ort-Orchestra of Tuscany conducted by Corrado Rovaris; at the Auditorium Pedrotti; Aug 14, 18

### ■ SALZBURG

**Salzburg Festival**
Tel: 43-662-844501
**OPERA**
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 14, 17, 19
● Lucio Silla: by Mozart. Conducted by Sylvain Cambreling and directed by Peter Mussbach with designs by Robert Longo. Cast includes David Kuebler and Susan Graham. With the Camerata Academica Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Kleines Festspielhaus; Aug 15
● Wozzeck: by Berg. Conducted by Claudio Abbado in a new production directed by Peter Stein, with sets by Stefan Mayer. Bryn Terfel sings the title role. With the Vienna Philharmonic and the Konzertverinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 15, 19

**THEATRE**
Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögerbauer. With music by Wenzel Müller; at the Landestheater; Aug 14, 15

### ■ SANTA FE

**OPERA**
**Santa Fe Opera**
Tel: 1-505-986 5900
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 14
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Aug 15
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Christopher Larkin conducts; Aug 16, 19

### ■ SCHLESWIG-HOLSTEIN

**CONCERTS**
**Music Festival**
Tel: 49-431-567080
● Festival Orchestra: conducted by Leonard Slatkin in works by Bernstein, Schumann and Berlioz; at the Musik- und Kongresshalle, Lübeck on Aug 15 and at the HDW-Werft, Kiel and Aug 16
● Tivoli Symphonic Orchestra Copenhagen: conducted by Heinrich Schiff in works by Nielsen, Brahms and Stravinsky. With violin soloist Hanna Weinmeister and cello soloist Bruno Weinmeister; at the Reithalle, Wotersen; Aug 14

### ■ TANGLEWOOD

**CONCERTS**
**Tanglewood Festival**
Tel: 1-617-931 2000
● Boston Symphony Orchestra: conducted by Kent Nagano in works by Debussy, Tchaikovsky and Stravinsky. With violin soloist Cha-Liang Lin; the Shed; Aug 15
● Boston Symphony Orchestra: conducted by Hans Graf in works by Bach, Handel and Vivaldi. With mezzo-soprano Lorraine Hunt; the Shed; Aug 16
● Boston Symphony Orchestra: conducted by Kent Nagano in works by Mendelssohn, Beethoven and Ravel. With pianist Emmanuel Ax; the Shed; Aug 17

### ■ VERONA

**OPERA**
**Arena di Verona**
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli. Casts vary; on Aug 1, 10 & 15 Maria Guleghina sings the title role
● Madama Butterfly: by Puccini. New production. Conducted by Angelo Campori, with designs by Beni Montresor; Aug 16
● Rigoletto: by Verdi. Conducted by Nello Santi in a revival of Lotfi Mansouri's staging; Aug 14, 17, 19

### ■ WASHINGTON

**DANCE**
**Wolf Trap** Tel: 1-703-218 6500
Tharp!: programme of new works presented by Twyla Tharp's new dance troupe; Aug 18, 19

**OPERA**
**Wolf Trap** Tel: 1-703-218 6500
The Marriage of Figaro: the Wolf Trap Opera Company performs Mozart's opera; in Italian, with English super-titles; Aug 14, 16

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Economic Viewpoint · Samuel Brittan

# Shift in currency fashion

**The exchange rate is once again returning to vogue as an important determinant of monetary policy decisions in view of recent turmoil**

The Bank of England has won a battle, not a war. The Bank stated at the time of last week's base rate increase that "upward pressures on the exchange rate should be reduced by the perception that interest rates have reached a level consistent with the inflation target". These words took the market by surprise and knocked sterling down.

The correction may yet prove temporary, but the effort will have been worthwhile. Dear money policy works through its effects on the exchange rate, on the housing market and general diffusion over the financial markets. The first of these influences has become too much of a good thing.

The battle ahead is to maintain counter-inflationary credibility without long-term damage to the internationally exposed sectors of the British economy - which extend far beyond the traditional manufacturing sectors. To achieve this objective sterling, which is still overvalued, will have to come down further.

In the meanwhile it is helpful to examine the general international currency background. The Bank's achievement last week was to get rid of nearly all of sterling's rise against the dollar. Sterling's appreciation is now mostly accounted for by the D-Mark's fall against the dollar. But as European trade is more important for Britain than it is for the US, the rise in the pound threatens to inflict more damage in the UK.

Rightly or wrongly, distrust of the euro – and therefore of the D-Mark which is due to be merged into it at the beginning of 1999 – has heavily affected market sentiment. D-Mark weakness is an independent factor and not merely a side-effect of the rising dollar. One instance of this is the D-Mark's fall in value in terms of yen.

Ironically, if the UK were expected to be a founder member of European monetary union, sterling would have moved with the D-Mark and the option of an independent high interest rate policy would not have been available to the Bank. As it is, the large fluctuations in the pound are perceived within its portals to be against the spirit as well as the letter of the Maastricht conditions. They are now cited as yet another argument against early British membership.

## Dollar and yen

From a global perspective, however, the European tensions are a sideshow. Taking a long span of years, by far the biggest movements in world currency markets have been of the dollar against the yen. The dollar fell from Y360, when President Richard Nixon floated the dollar in 1971, to a low of Y83.6 in 1995. This brought a far greater pressure on the Japanese international sector than its counterparts in any European country have ever seen. The movement undoubtedly helped to intensify the recent severe Japanese recession.

There have been three big international currency stabilisation exercises in recent years. The first was the Plaza Accord of 1985 which set the seal on the fall of the dollar. The second act was the Louvre Accord of 1987 which attempted to put a floor under the US currency. The third was the Multination Intervention of 1995 to reverse the rising yen.

That intervention did indeed appear to be a great success, as the yen's rise was sharply reversed. Crucially, however, US and Japanese internal policies worked in the same direction as the currency intervention. In 1994-95 the Federal Reserve raised interest rates to curb the speed of the US upturn. Japanese short-term interest rates have been held at rock bottom ever since for anti-recession reasons.

There may, however, be more in dollar-yen movements than meets the eye. The Americans have often been seen to be deliberately talking up the yen as part of their competitive battle against the Japanese. US policy was reversed in 1994 when the administration concluded that the soaring yen was not only imperilling the Japanese economy but threatening to bring about a financial collapse that would threaten the purchase of US bonds.

In a new book* Professor Ronald McKinnon of Stanford has denounced this US policy of putting upward pressure on the yen as an instrument of trade policy. Any competitive advantages for the US have been short lived, for the yen's appreciation has been offset by relative deflation of Japanese product prices. Yet, even now, fear of another US offensive against the yen is affecting financial markets.

McKinnon would like to see the two countries formally renounce exchange rate threats as weapons of trade policy. Indeed he would like a resumption of the exchange rate co-operation of the 1980s to stabilise the dollar/yen rate. He favours a target zone for the two currencies. These proposals stem from his long-standing advocacy of currency pacts among the main currencies of the world – the dollar, the yen and presumably the euro. But unlike many other exponents of currency pacts the Stanford professor does not believe that they can succeed by intervention alone.

His domestic specification is, however, different from most sound money advocates. Instead of a consumer price target he would like to see a common target in the US and Japan for producer prices – especially prominent in international trade. In the short term, domestic policy would be adjusted to maintain the target zone.

At an economic policy level, the big shift required would be from a focus on domestic price indices to indices for internationally traded products. Presumably he supposes that – if such prices can be held stable – shifts in inflation rates arising from non-traded services, housing booms and slumps, or temporary windfalls such as the UK building society distributions can be taken in their stride.

As a matter of economics McKinnon may be more nearly correct than it is fashionable to assume. As I have frequently argued, the attempt to keep a domestic price index within too tight a tunnel could itself be destabilising. A slightly less ambitious concept of price stability, with a bonus of some exchange stability thrown in as well, may be a better bargain.

It is the political aspect of the McKinnon proposals that worries me. For he is asking sovereign nations and the EU bloc to bind themselves both to follow fixed rules and to give external objectives short-term priority over internal ones. If participating countries fail to follow the rules in the face of stress – as happened within the EU in 1992-93 – the currency pact will break down and there will be even more cynicism about such ventures than at present.

For the time being I would hope more for a shift to give more weight to the exchange rate in determining policy than has been fashionable in the 1990s, but without formal target zones or undertakings. This is in any case what is likely to happen, with Japan taking the lead in trying to manage its exchange rate, France and the US coming next and Germany (with the UK) being the most reluctant. In any case, treating the exchange rate as just another price – like the price of tomatoes – is surely bad monetary economics.

**R. McKinnon and K. Ohno, Dollar and Yen, MIT Press*

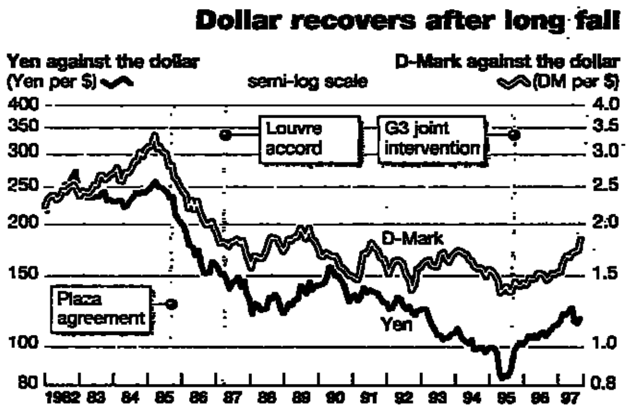
**£ in $ slipstream**

% change from 1/8/96 to 13/8/97

| | |
|---|---|
| German D-Mark to US dollar | +25.37 |
| German D-Mark to UK sterling | +26.14 |
| US dollar to UK sterling | +1.48 |
| UK sterling index | +18.89 |

Source: Datastream/ICV

**Dollar recovers after long fall**




## LETTERS TO THE EDITOR

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## Testimony to Greenspan's skills

*From Mr Michael Naameh.*

Sir, Gerard Baker gives a good account of Mr Alan Greenspan's stewardship of US monetary policy in the last 10 years ("Master of the Universe", August 11).

Unfortunately, he does not mention the important role that US fiscal policy has played in stabilising the economy over that period. The US budget deficit has shrunk by over 4 per cent of gross domestic product and is expected to move into surplus next year.

It is not worth speculating how well Mr Greenspan would have performed under looser fiscal policy conditions. Many would agree that he has had an easier task than otherwise would have been the case. Nevertheless, he has shown himself to be a better analyst of the US economy than some of his predecessors and colleagues at the Federal Reserve.

The single most impressive aspect of Mr Greenspan's performance has been his masterful management of market expectations. He seems to have avoided the need to adjust nominal short-term interest rates too frequently by successfully talking (or not talking) US long bond yields and the stockmarket into submission from time to time. The fact that market signalling in the US has become an effective monetary policy instrument is testimony to Mr Greenspan's political skill and professional judgment.

The credibility of the Federal Reserve has never been higher, but too much of it rests upon the shoulders of one person. What happens when Mr Greenspan goes or, heaven forbid, makes a serious policy error? If market confidence in his ability is shaken, the punishment will be harsh. To crown his achievements, one hopes that the Fed Reserve chairman would now concentrate on helping his colleagues raise their profile in the markets so that the Fed may continue to lead rather than be led by the markets after his retirement.

**Michael Naameh,
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## Poor quality employment

*From Mr Steve Fleetwood.*

Sir, Even if subsidising wages succeeds in reducing unemployment, as Robert Chote suggests it may ("Brown holds the key to work", 11 August), an important problem will remain because of the contingent and/or part-time nature of much of the employment currently on offer.

Since this kind of employment often represents a deterioration in the terms and conditions under which many people now work, reductions in the number of unemployed tend to obscure the fact that the problem of unemployment is being not so much resolved as transposed into a different one, namely the problem of poor quality employment. It appears that, as long as policy aims to reduce the quantity of unemployment, the quality of employment can conveniently be overlooked.

**Steve Fleetwood,
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## Defence policy that prickles

*From Mr Graham Lewis.*

Sir, You report ("British army may be outflanked on bear necessities", August 13) that Lord Gilbert, the defence minister, is an animal lover who "has a record of putting animal welfare at the forefront of defence policy".

Presumably we can now look forward to an advance party of Royal Artillery clearing roaming hedgehogs from underneath the tracks of their tanks before they go ploughing across the fields of Salisbury Plain.

**Graham Lewis,
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## Greenpeace aiming to create debate

*From Mr Michael Brown.*

Sir, 'Yes, but' seems the best response to your condemnation of Greenpeace ("Greenwars", August 12). Certainly, Greenpeace is intellectually misguided in its disruption of BP, but its main aims are probably to blow a whistle and create debate.

They would probably argue that we are unlikely to get the policies the FT rightly recommends (energy efficiency measures and so on) unless the Kyoto UN climate conference in December results in a short-term $CO_2$ reduction target – and no prizes for guessing which industries argue against such an outcome.

**Michael Brown,
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**Mahbub ul Haq** argues that Pakistan could face a social explosion unless the government improves its economic policies

# The poverty puzzle

India is not the only country celebrating 50 years of independence this week. Pakistan, born at the same time, can look back on 50 years of steady, sometimes spectacular, economic advance. But that growth raises a puzzling question: why are its people so poor when the economy has made such rapid progress?

Pakistan's growth has been the fastest in south Asia. On average, gross national product has increased by about 6 per cent a year for the past 50 years. Pakistan started behind India at the time of independence, but its income per person is now 75 per cent higher. In spite of high population growth, per capita income has more than trebled in the past two decades.

This is no bad record for a region declared by its enemies as economically non-viable at its birth and which lost half the country (East Pakistan) in 1971.

But that is when the puzzle begins. Where is the evidence of this economic advance in the lives of the ordinary people? Indices of poverty and deprivation are so widespread and so stark that many sceptics have begun to doubt the reality of economic growth itself. The simple explanation is that fast growth has taken place but the prosperity it has produced has been very unevenly distributed.

In 1960, about 19m people lived below the poverty line in Pakistan. By 1980, the number of people defined by the government as absolutely poor had grown to 34m. It then fell by 10m during the 1970s, thanks to a bonanza of external remittances, largely from Pakistani workers in the Middle East.

But poverty has started increasing again alarmingly. In just five years, between 1990 and 1995, the number of absolute poor rose from 24m to 42m.

Pakistan's social indicators paint an even more dismal picture. Two-thirds of Pakistan's adult population and over three-quarters of adult women are illiterate. Basic health facilities are not available to over half of the population; 67m people lack access to safe drinking water; and 89m are without elementary sanitation facilities.

A quarter of newborn babies are malnourished. Population growth is extremely high: the rate is between 2.7 per cent and 3 per cent a year. The coverage and the quality of social services are extremely poor.

Pakistan's policymakers sometimes argue that the country is too poor to afford decent social services – or, even worse, that it must focus on economic growth first before accelerating social and human development.

These policymakers should look at the experience of neighbouring countries. India is poorer than Pakistan in terms of per capita income but is already ahead in education and health indicators.

More stark is the comparison with Sri Lanka. It has roughly the same income per capita as Pakistan, but there is a world of difference in the living conditions of the people in the two countries. Pakistan's adult literacy rate is only 36 per cent compared with 90 per cent in Sri Lanka; its average life expectancy is 10 years lower than Sri Lanka's. And Bangladesh enjoys half the income per capita of Pakistan, yet it has succeeded in lowering its population growth rate to 1.7 per cent a year.

It is not resources that are lacking but the political will.

People complain that there is a shortage of financial resources for education and health. But Rs600bn worth of agricultural incomes go entirely untaxed; tax evasion is estimated at more than Rs100bn a year; corruption is reckoned to be costing the national exchequer another Rs50bn to Rs100bn a year.

Pakistan's deplorable poverty requires more sensible economic management, more appropriate development priorities, and much better governance. To say that financial resources are lacking is to justify a feudal system that has created one of the greatest and the most scandalous divergences between economic growth and human advance.

The most important factors that have gone wrong in Pakistan during the past 50 years have been lack of education and absence of land reforms.

Pakistan's literacy rate and the quality of its education are among the lowest in the world: there are 50m adults who are illiterate, 17m children not in school, only 1.6 per cent of secondary school children in technical education. To compete in the global economy of the 21st century it will be necessary to spread basic education and technical training quickly.

University students should be drafted to teach for a year. Television and radio should be used to spread education. There should be a law making primary education compulsory. The task of universal basic education can be accomplished in as short a time as five years. And once education is widespread, the feudal culture will not be able to resist the "quiet revolution" it brings.

A more direct assault on the feudal system is through land reforms. These have generally been carried out in other countries under exceptional circumstances.

In South Korea, the second world war created an environment for such reforms. Land ownership ceilings were fixed at 7.5 acres per family. Today, South Korea's agricultural yield per acre is about three times that of Pakistan's. In India, due to the political determination of Prime Minister Nehru, the land ceiling was fixed at 17.5 acres per family. At the time of partition, East Punjab was behind West Punjab, on India's side of the divide. Today, its yield is about twice as high as in Pakistan's Punjab.

Of course, land reforms were only one element in increased productivity through owner-cultivation. But without land reforms, the economic and political stranglehold of landlords could never have been broken.

Managing the transition in Pakistan from a semi-feudal to a modern, developing state remains a huge problem. The prime minister at least has the opportunity to tackle it, taking advantage of the unprecedented political mandate he won at the recent election.

But one sobering truth can be stated quite bluntly. Pakistan often dreams of becoming an Asian tiger. But no illiterate, feudal society has ever become a tiger of any stripe or colour. To that we may add another truth: when the economy prospers, but ordinary people do not, it is only a matter of time before there is a social explosion.

*The author is the president of the Human Development Centre in Pakistan. He was finance minister between 1982 and 1988*

Risk of unrest: Pakistanis in general have not prospered

COMMENT & ANALYSIS

FINANCIAL TIMES

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Thursday August 14 1997

# Too many standards

If one agreed technical standard for an electronics product is a good idea, surely a choice of two must be even better?

This appears to be the attitude of the makers of the next generation of computer storage devices, gadgets called DVD-Rams. These products, the successors to today's floppy discs, are potentially extremely important to the industry. They will store very large amounts of data; and (unlike today's CD-Roms) they can be altered over and over again.

DVD-Rams are based on an existing consumer electronics product, the digital video disc, which is used for prerecorded films and other multimedia. Getting agreement on this standard was a lengthy business, but it was finally achieved. Products based on it have obtained early success.

With this achievement behind it, you might think the industry would be able to reach a speedier agreement on DVD-Rams. Not so: the industry's discussions have been fruitless. Sony and Philips – which originated the technology – have given up the search for consensus and decided to launch their own version, in association with Hewlett-Packard.

The result is that consumers are likely to have to choose between two incompatible standards. DVD-Rams are therefore unlikely to achieve the same speedy success as their consumer cousins.

The story shows the endemic tension between the desire to achieve a standard, and the desire to achieve market dominance. More and more products, some economists argue, achieve their value through compatibility: the VCR with its prerecorded tapes, the program with the computer, Barbie with Ken.

So standards matter; but reaching them by agreement is difficult. One reason is that companies flirt with the thought of achieving such market dominance that their product becomes a de facto standard, earning monopoly profits. Agreeing a standard – and making it cheaply available to your rivals – appears less lucrative.

In practice, however, the lure of a de facto standard can be an illusion. Sometimes it proves unpatentable and is promptly adopted – for free – by the rest of the industry. Sometimes a tightly controlled standard fails to catch the public imagination, and is overtaken by a widely licensed rival.

In the worst case of all, the market is permanently hampered by lack of agreement, so no one makes any money. If this is what happens to DVD-Rams, it will underline the melancholy truth: too many standards can be just as damaging as too few.

# UK inflation

A period of fine weather is the time to prepare for a storm. In this spirit, no doubt, the Bank of England intimated yesterday that it would not be raising interest rates again for a time.

Since it was given the job of controlling inflation on May 6, the Bank has shown that it can be tough, raising its rates in three successive months to 7 per cent. Partly as a result, the outlook for inflation is reasonably benign, while output continues to rise and unemployment falls steadily.

However, when the economic prospects darken, the Bank will need strong reserves of credibility, not just with the markets, but also with the public if it is to avoid an outcry against painful measures. To help to improve public understanding yesterday, it invited television cameras for the first time to the briefing on its quarterly inflation report.

With refreshing candour, yesterday's report concluded with a 'don't know'. Its central forecast was that inflation in two years will be close to the government's target of 2½ per cent, but accelerating. Because no one knows what is going to happen to sterling or the stock market – or the extent to which monetary expansion will feed domestic demand – the Bank lays strong emphasis on the uncertainties of its prediction. Consequently, it says, the monetary committee thinks it is time for a "pause in which to assess the direction in which the risks are likely to materialise". This caution is justified. Apart from the uncertainties about sterling and asset prices, the continued buoyancy of exports remains a puzzle, as does the combination of a tight labour market with subdued wage rises. Perhaps the British economy has somehow raised its game since the last recession and so reduced the dangers of inflation. If so, the Bank might be able to use a lighter touch. But maybe the recent data are projecting a mirage, and all will go wrong next year.

This is the economic case for caution. It is reinforced by political pressures: the Bank needs to counter recent jibes that it is led by "inflation nutters", obsessed by monetary numbers at the expense of jobs, growth and profit. Unfair as such accusations may be, a clear demonstration now that it cares about the real economy might head off a future collision with the blinkered forces of short-termism.

Its best weapon, however, will be the clarity and transparency of its arguments. The inflation report is an excellent start, but the blandly-written minutes of the monetary committee – published yesterday for the first time – are less satisfactory.

Consensual Bankese may do for now. But when there is strong disagreement, the public will rightly want to see it fully aired, with names named. This should be the next step in the Bank's progress towards public accountability.

# Soft power

Russia has harmed the development of the Caspian region in recent years by trying to exert "hard power" over the area. Moscow treated the questions of oil and gas pipeline routes, and political influence as zero-sum games where any opportunity for other powers was automatically seen as a loss for Russia. This approach was backed by the ultimate threat of force, and sometimes by its covert use.

It might therefore seem no more than poetic justice if the US were to work towards diverting pipelines away from Russia, thus excluding it from political and economic influence in the region. This is the hope of certain unreconstructed cold warriors in Washington, but it is a mistake.

Since the Chechnya fiasco, Russia's ability to threaten the former Soviet republics has greatly diminished. With this option closed, some Russian leaders have come to understand that in a truly open competition for trade in the region, Russia would have significant and wholly legitimate advantages, which would not need to be backed by force or blackmail.

The potential opportunities for Russian industry from a Caspian oil boom are obvious. There is also a strong case that, if properly administered, land pipelines via Russia and Ukraine would provide the quickest and cheapest route to the Caspian's European markets. However, this of course should not exclude other pipelines, via Georgia, Turkey, Romania and Iran as well, should Tehran's international behaviour change.

The west's goal should be twofold: to help create not just several different routes, but also new markets for oil and other products in the former Soviet Union and eastern Europe; and, by doing so, to draw all the countries of the region into a web of peaceful commercial relations.

For Russia to participate successfully in this virtuous process, then it needs above all drastically to reform Transneft, the grasping Russian state oil pipeline group. As Mr Boris Nemtsov, the Russian deputy premier, appears to have recognised, Transneft should be broken up, and rights to ship oil sold at open auctions.

But for Russia to abandon a zero-sum approach to the Caspian region, Moscow must also be convinced that the US is not playing a zero-sum game itself, excluding Russia and favouring Turkey and Azerbaijan regardless of economic logic.

For if Russia is left with nothing to hope for, it will make mischief – and the ethnic divisions within the Caspian region mean that the country's capacity to do so is still quite strong.

# China's future dragons

## Successful companies are emerging that want to take on the world – if the government will let them. James Harding reports

Guests for dinner at the headquarters of Sichuan Changhong, China's largest television producer, are offered a rare treat – pan-fried leopard followed by braised bear in soy sauce.

But then Changhong itself is an unusual creature: a profitable, state-owned business which, unlike most of China's loss-making state enterprises, has beaten back foreign competitors in its domestic market. Now it wants to follow in the footsteps of Japan's exporters and South Korea's conglomerates, and become another of Asia's world-beating companies.

Between mouthfuls, Mr Li Tibin, Changhong's chief financial officer, outlines the company's plans. "By 2005," he says, "Changhong aims to be one of the top 500 companies in the world." The group expects to take a third of the Chinese colour TV market this year and has announced plans to start selling Changhong TV sets in the US from 1999.

The company is just one of a band of Chinese state enterprises hoping to establish themselves as international competitors, with their own brand names. Take Qingdao Haier or Guangdon Kelon, the two largest makers of refrigerators in China. Both have increased their share of the home market (to a combined 45 per cent) in spite of the numbers of international white-goods makers pouring into China.

Now Qingdao Haier, having established its first overseas facility in Indonesia, is involved in talks to set up factories in South Africa and Mexico. The company said it sold 200,000 refrigerators outside China last year, and claims to be Asia's largest refrigerator exporter to Europe.

Or take Legend, China's best-selling personal-computer maker. In the first six months of this year, it sold 133,360 PCs, increasing its market share from 8 per cent in the first half of 1996 to 10.4 per cent. In the same period, IBM's share fell from 7.9 to 6.7 per cent and Compaq's fell from 8.2 to 6.2 per cent.

Or consider Wuxi Little Swan, which sells 40 per cent of all automatic washing machines in China. It has operations in south-east Asia and is investigating opportunities in Europe.

The mystery is how a clutch of thriving firms has emerged from the debris of China's failing state sector. The challenge for the companies is how to handle the next transition, from national champions to global competitors. Their ability to meet this challenge will matter not only to world trade and to the companies they want to compete with. It will also make a difference to China's government, as it struggles to cope with the problems of the state sector as a whole.

Half of China's state-owned industrial companies incurred net losses last year, up from one-third two years ago. Profits of state-sector companies have fallen from 6 per cent of gross domestic product in the early 1980s to less than 1 per cent in 1996. State companies account for one-third of industrial production, but employ roughly two-thirds of the urban workforce.

The management of thousands of failed state enterprises – and the potential for social unrest in the face of looming mass redundancies – is therefore one of the thorniest problems facing China. The country's Communist leadership is now gearing up for next month's Party Congress – which is held every five years and is the most important event of the Chinese political calendar. Reform of the state sector is top of the Congress's concerns. China's leadership appears to be edging towards agreement that some state companies must be privatised to give them greater scope. But since the government is fearful of being criticised for selling off the family silver, the process is likely to be slow.

The question is, though, why has a handful of state-owned, or predominantly state-owned, companies broken the mould? There are three explanations.

First, commercial independence. The few profitable Chinese state businesses have all, for different reasons, been spared the worst of state interference.

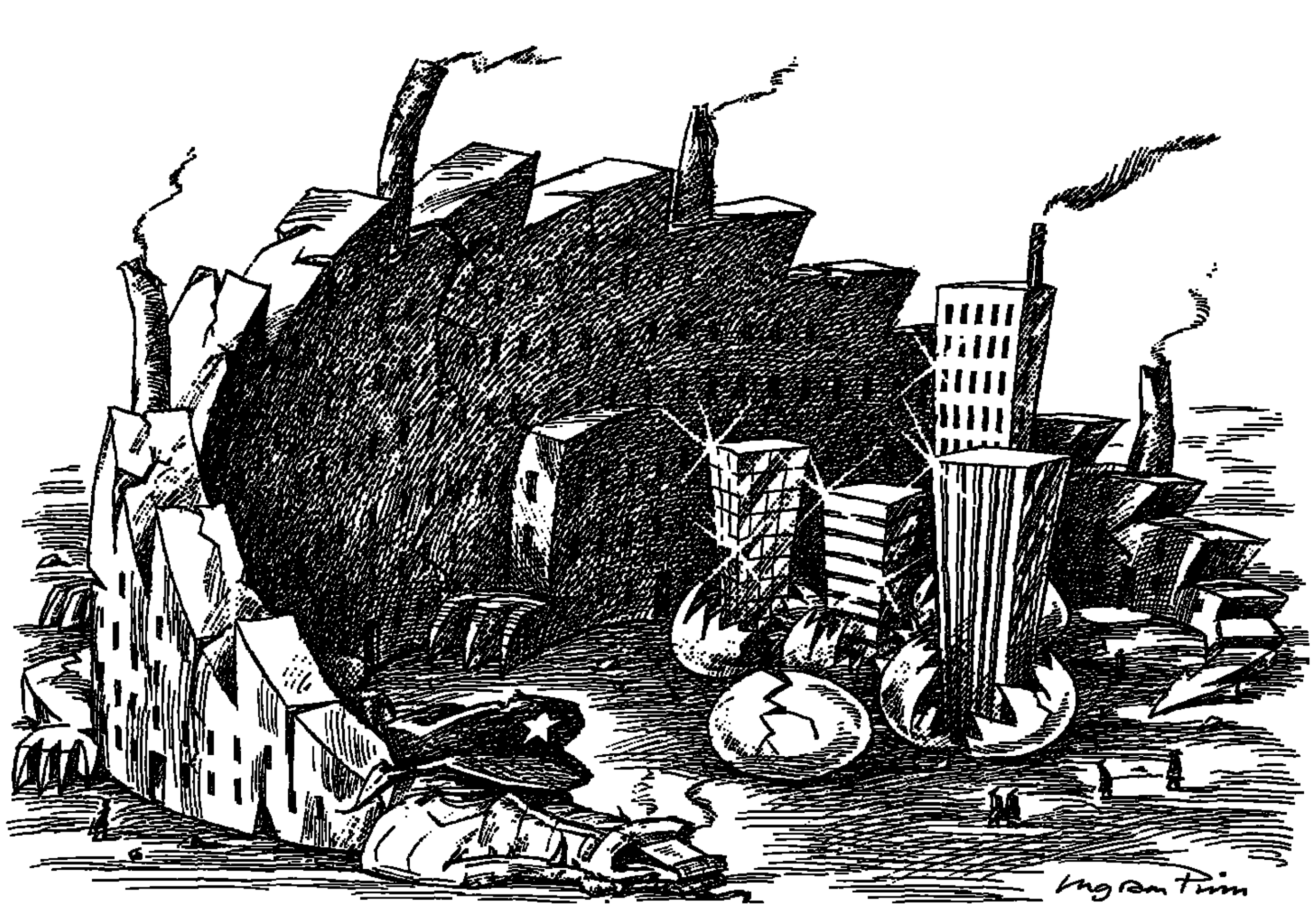
Guangdong Kelon, the white-goods maker, is the most successful township and village enterprise in China. (TVEs are loosely controlled by local authorities rather than the central government.) A company official says it has been left largely to its own devices: "As a TVE we don't get much favourable treatment, but then we don't get burdened with the social and commercial responsibilities which many state-owned enterprises suffer."

Other companies have been left alone even though they have ties with national or provincial bodies. Changhong has close links with the military (it used to be a big equipment supplier to the People's Liberation Army). Wuxi Little Swan is connected to the government of Jiangsu province. But both were left alone at first – and their success has won them greater freedom.

Changhong, for example, holds great sway over the municipal government in Mianyang, western China, which has experienced the worst reported case of labour unrest this year following the failure of state businesses. Bureaucrats have little incentive to interfere with the winning formula of the one local company that generates sizeable revenues and employment.

Second, managerial flair. Mr Brewer Stone, the chief representative in Shanghai of Prudential Securities, a US brokerage, says: "There seems to be a myth that there are no great managers in China. But there is a small pool of people with real drive, who have vision, who are micro-managers, who eat, live and breathe their work."

Given a little room to manoeuvre, they have succeeded in introducing fundamental, but previously foreign, business principles to long-cossetted Chinese companies.




Mr Zhang Ruimin, Haier's president has been a stickler for quality control. In the 1980s he instilled in the workers the importance of reliability by forcing them to destroy faulty refrigerators by hand. The emergence of Hongta Tobacco from the ranks of China's many provincial cigarette makers is credited to the leadership of the former president Mr Chu Shijian and his insistence on buying state-of-the-art tobacco-rolling machinery, rather than cheap, second-hand goods. Hongta is now the largest cigarette producer in Asia (though, since tobacco is a heavily protected market, it is hard to tell how competitive it really is).

Third, the challenge of foreign competition. The domestic-appliances sector is full of competitive state-owned enterprises. That is no accident. It is one of the few markets that has been almost fully opened to foreign companies, forcing domestic companies to hone their production and marketing skills.

"The government does not protect our industry," says a representative of Little Swan. "As long as wolves are coming into the sheep pen, the sheep have to stand up and fight back." Similarly with colour TVs. Mr Stephen Young, general manager of Sound and Vision for Philips in China, says: "Standards are improving in China every day and as far as consumer electronics are concerned there are some very competitive, very progressive Chinese companies."

In rare cases, Chinese companies owe their success to a competitive advantage that foreign companies find hard to duplicate. Erdos Group, for example, produces nearly a third of the world's cashmere and looks set to increase its dominance thanks to its location in Inner Mongolia – home of half the world's cashmere-producing goats. Founder Group, a software company established by people from Beijing University, leads the world market in electronic publishing and software in mandarin Chinese. It has opened subsidiaries in Singapore, Malaysia, Japan, Canada and the US.

To compete internationally, China's would-be world-beaters know they have a number of problems to overcome.

"Chinese management can have an exaggerated sense of its own abilities," says Mr Stone at Prudential. "They can get complacent, a kind of managerial hubris." He is worried by the tendency of good companies to diversify from their core businesses into the current commercial fad. Haier, for example, is understood to be developing a pharmaceutical subsidiary to add to its white-goods businesses.

Chinese companies are also weak in product innovation (like other Asian exporters before them). According to Mr Hoong Lik Yuen, head of ING Barings in Shanghai, even China's successful consumer-appliance manufacturers will have to start investing more heavily in research and development and bring quality products to market "otherwise, they will find the competitive advantage they enjoy, which is basically price, is temporary".

But the biggest problem the Chinese will have to overcome lies back home: their relationship with the government. This year, even companies that have enjoyed the most autonomy have been faced with the government's enthusiasm for building conglomerates through mergers. Some people think this is a strategy for creating national champions. Others fear it is simply a ruse to foist the welfare responsibilities of failed state-owned enterprises on to the most successful ones.

Baosteel, for example, is one of Asia's largest steel companies. It has been encouraged by the Shanghai municipal authorities to merge with the failed Shanghai Steel, taking on the welfare responsibilities for thousands of redundant workers. HG Asia's Mr Richardson says that until now the authorities "have been careful not to kill the goose that lays the eggs". But it is not clear if their self-restraint will continue.

Back in Changhong's dining room, when conversation turns to the issue of government-directed mergers, Mr Li stops eating. Changhong has just absorbed the local Mianyang Battery factory, taking on double the workers it needs to run a factory in a sector where it has no previous experience. But Mr Li insists the expansion, although ordained by the government, has sound business logic, arguing that the factory has potential. "As far as restructuring is concerned, big fish can eat small fish, quick fish will eat slow fish, but we do not want to eat dead fish."

Changhong, Mr Li promises, will remain state-controlled and commercially successful.

# · OBSERVER ·

## We'll Miti again

■ Moves to streamline Japan's cumbersome government machine might lead to the disappearance in name – though not in essence – of the Ministry of International Trade and Industry, that sponsor, champion and general *eminence grise* of the Japanese economic miracle.

A government panel in charge of reorganising the numerous ministries and agencies is proposing that Miti form the backbone of a new Economy and Industry Ministry, with some bits spun off into the mega-maw of an Information, Telecommunications and Transport Ministry.

The proposals have triggered dismay even among those most devoted to "big bang" reform in all areas of public life – that Japanese mantra of the 1990s – not least because some proposed ministry names sound like something out of a cold war-era communist state.

The new People's Life Ministry would oversee employment, social welfare and related issues while the National Land Development Ministry would busy itself with public works. Alongside the new Security Ministry, an expanded home affairs portfolio would be guarded by the oddly-titled Autonomous Decentralisation Ministry.

There's a fair head of steam behind the proposals – Prime Minister Ryutaro Hashimoto is heading the panel.

## Postal approval

■ During her lifetime, Marlene Dietrich, possessor of Germany's finest cheek-bones and shapeliest legs, sang of "keeping a suitcase in Berlin". But the movie star's fondness for her home town, where she was buried in 1992, was not always reciprocated. Many Berliners never forgave Marlene, who died in Paris, for quitting Germany in the 1930s to go to Hollywood, then for entertaining the US Army while it fought her homeland during the Second World War.

But now Berlin is to make amends. After much bickering between unglamorous politicians, it has been decided that a square in the massive Potsdamer Platz office and flat development near the Brandenburg Gate will be named after Marlene. A more sensual touch comes from the German post office: a Marlene Dietrich stamp – showing her with lips pursed and a sultry look in her eyes – goes on sale today.

The square and the stamp are the latest examples of Marlene's slow homecoming. Other initiatives include plans by a German film producer to raise money for a statue of Marlene to be placed in front of the offices of the US embassy in Berlin.

## Forward planning

■ The World Bank seems to be quietly making dispositions for the day when a large new borrower arrives on its doorstep in the form of North Korea. It has discreetly designated Brad Babson, its affable outgoing representative in Hanoi, as point man for dialogue with Pyongyang.

Officially, Babson's returning to head office in Washington in a senior advisory role for special assignments, but he told guests at his farewell reception in Hanoi that dialogue with North Korea would be one of his tasks.

The subject is a delicate one since North Korea has not even applied to join the World Bank, but the bank's move is an indication of expectations that the country's sickly economy will need a dose of World Bank medicine as it slowly comes out of its shell.

Babson's experience of transitional economies makes him well placed for the initial dialogue. Besides, he must be one of the few bank officials with experience of dealing with North Koreans. The World Bank has run short of office space in Hanoi, and he's been involved in negotiations about accommodation in Pyongyang's embassy, which happens to be in the villa next door. His verdict: "They're really pretty business-like".

## Sexy language

■ It's official. French radio disc jockeys and television announcers are finally being allowed to "feminise" the words they use on-air. The snooty CSA, the country's audio-visual regulator which often reprimands broadcasters for sloppy use of the national language, has accepted that male supremacy is at an end; for example, "une médecin" and "une mécanicienne" can finally have an outing alongside their overtly sexist alternatives.

In rule-obsessed France, the CSA has naturally circulated a lengthy list of grammatical rules governing precisely how such linguistic permutations must be performed. But woe betide anyone who doesn't strictly observe all the other regulations. The CSA has, for example, just reprimanded Contact FM radio in Lille for failing to meet its commitment to fill at least 40 per cent of airtime with French-language songs. Maybe they'll be forgiven if they play more songs about women.

## The Financial Times

### 100 years ago

**American Coal Strike**
A collision occurred near Plum Creek, Pittsburgh to-day between the miners on strike and some sheriff's deputies. The miners attempted to march as usual, whereupon the sheriff ordered them to desist, and read an injunction granted yesterday. The miners refused to obey either the sheriff or the injunction, and in the scuffle which ensued when an attempt was made to disperse them, a miner was wounded slightly in the face. No firearms were used by either party. The miners marched back to their camp.

### 50 years ago

**Lace Industry Threatened**
Britain's lace industry is threatened with the permanent loss of world markets because the present shortage of raw materials is proving a big obstacle to revival. The Board of Trade Working Party, which was set up in March last year under the chairmanship of Miss L.S. Sutherland, Principal of Lady Margaret Hall, Oxford, gives this warning in its report published this morning. Difficulties facing the industry in building up the labour force to even 75 per cent of pre-war level are stressed in the report. "Vigorous and concentrated efforts" would be needed.

FINANCIAL TIMES
Thursday August 14 1997



# Bank Indonesia fights speculation on rupiah

By Greg Earl in Indonesia.

The Indonesian rupiah briefly fell through the central bank's declared intervention band yesterday as speculators mounted the strongest test yet of official willingness to defend the currency.

Bank Indonesia, the central bank, sold US dollars to defend the trading band after an earlier 1 percentage point interest rate increase failed to stop the latest phase of south-east Asia's currency turbulence.

Until last week, Indonesia had managed the regional currency upheaval better than most of its neighbours because of its policy of progressively widening the trading band to give the central bank greater flexibility in interest rate policy and protect reserves.

Central bank policy is now less clear after yesterday's increase in the main money market interest rate, reversing a 50 basis point cut in some interest rates last Friday after a sustained stock market fall.

But most economists say Indonesia has better fundamentals than Thailand, Malaysia and the Philippines. It had already allowed its currency to depreciate by 12 per cent this year before yesterday's fall, even though it enjoyed stronger economic growth and a better export outlook than many neighbours.

The rupiah fell more than 1.5 per cent to touch Rp2,684 to the US dollar in early afternoon trading yesterday. It closed in Asian trading about 1 per cent lower at Rp2,670. Under a longstanding policy of gradual market liberalisation, the Indonesian central bank allows the rupiah to trade freely within a 12 per cent band, which yesterday had been set at 2,378 to 2,682 against the US dollar.

The bank is estimated to have sold about $200m-$500m yesterday to drive the rupiah briefly back below 2,630 after the band was breached. Then, to the surprise of the market, the bank continued to support the existing trading band of 2,378 to 2,682.

Many traders still think the monetary authority will widen the band to avoid being drawn into sustained intervention in defence of the currency. Some of its south-east Asian counterparts have already bowed to pressure for depreciation. One Jakarta trader said: "They are using all means to stop this now but the interest rise had little impact on the market."

Underlining the seriousness of yesterday's rupiah trading, Dr Soedradjad Djiwandono, central bank governor, told Indonesian newspaper editors to report the currency turmoil more calmly.

Currencies, Page 19

# 'Pirate' software seized by Singapore police

By James Kynge in Kuala Lumpur

Police in Singapore have raided a CD-ROM manufacturing plant of SM Summit Holdings, one of the city state's largest listed high-tech companies, on suspicion of counterfeiting.

The share price of SM Summit Holdings fell 37.6 per cent to S$0.66 yesterday after the Business Software Alliance, a software industry organisation, revealed that the raid had taken place on Monday. "The pirate CD-ROM industry could come to a grinding halt in south-east Asia following a significant raid on the CD-ROM manufacturing operations of Singapore-listed SM Summit Holdings," the BSA said.

Members of the BSA, which was acting partly for Microsoft, the US software company, accompanied police on the raid. Apart from documentary evidence, they took away eight "stampers", used for replicating compact discs, which the BSA said contained counterfeit software products.

The company has an annual capacity of 30m discs and two overseas subsidiaries, one in Malaysia and one in Australia. Its shares have been approved for investment by the state pension fund – denoting the seal of government approval.

SM Summit denied any wrongdoing and said it "will strenuously defend [itself against] any and all allegations of impropriety in this matter". It added that it produced discs for contract customers using the customers' material, but obtained a guarantee from each customer that the software was not pirated.

The BSA, also acting for two other US software companies, Adobe and Autodesk, said it was taking legal action against SM Summit Holdings and another Singapore disc manufacturer, FAS Disc Manufacturing, which it also accused of piracy.

The Asia-Pacific region is one of the world's leading areas for producing counterfeit intellectual property. A BSA report estimates that of US$11.23bn in retail revenues lost to piracy in 1996, some US$3.7bn was in the Asia-Pacific region.

Although Singapore has a reputation for being a crime-free country, a BSA survey this year found that software piracy in the city state rose 6 percentage points to 59 per cent in 1996, meaning that more than half of all office software there is counterfeit. Executives said that while Taiwan and China have been known for counterfeiting, trade has shifted toward Singapore and south-east Asia.

# S African call-back phone operations declared illegal

By Mark Ashurst in Johannesburg

South African call-back telephone operators, which route calls to and from South Africa via cheaper operators in third countries, yesterday reacted angrily to the independent telecommunications regulator's decision to close down all international call-back services.

The ruling will affect about 20 call-back operators and thousands of their clients, which include some of South Africa's biggest companies and government departments. Failure to comply could result in fines of up to R500,000 ($111,000) each and two years' imprisonment for operators and their customers. The South African Telecommunications Regulatory Authority has deemed call-back operations illegal under existing legislation and said it would enforce the law from September 1. Analysts said the legislation was unclear, because it made no specific reference to call-back services.

Satra said call-back operators were "jeopardising plans for improving the networks of developing countries. Money is leaving the country as outgoing calls are routed to operators who do not have any revenue-sharing agreements with local operators."

But Mr Gianfranco Cicogna, managing director of Ursus, South Africa's biggest call-back operator, said the services were "saving corporate South Africa about 25 per cent a month on phone bills". The services used foreign carriers, which shared the cost of the call with Telkom, the national telephone utility, according to standard industry agreements, he said. International calls contribute about 14 per cent of Telkom's net income.

Satra's decision comes after attacks on call-back operators by Telkom, whose management is controlled by SBC Communications, the US-based group. SBC and Telekom Malaysia acquired 30 per cent of Telkom in March.

Call-back operators said they intended to challenge Satra's decision in the courts.

# Russian minister quits

Continued from Page 1

head of the presidential administration, who ran the Russian Privatisation Centre, a governmental advisory body. Both men are considered protégés of Mr Anatoly Chubais, the first deputy prime minister, who fathered the mass privatisation programme.

Mr Par Mellstrom, head of research at Brunswick Brokerage, a Moscow-based investment house, said the government was trying to distance itself from the scandal surrounding the two deals.

"The government wants to start a clean page in its privatisation programme and has appointed someone with a reputation as a technocrat," he said. But the controversy over asset sales seems unlikely to abate. Rosneft, the state-owned oil company to be sold later this year, yesterday condemned Oneximbank's attempts to strip it of its main oil-producing subsidiary, Purneftegaz.

The move could undermine foreign interest in the deal. Royal Dutch/Shell, the Anglo-Dutch oil group, has been in talks with Rosneft about a partnership that could include an equity stake. But Shell executives complain however, "that it is never quite clear what Rosneft is".

Amoco, the US oil company, has also been mentioned as a possible foreign suitor.

# Digital disc format war

Continued from Page 1

drives capable of accommodating DVD-Rom and DVD-Ram.

Mr Reinier Dobbelmann, industry analyst at SBC Warburg in Tokyo, said the split may also reflect concerns about the division of royalties among DVD-Ram's developers.

Analysts said the industry may try to strike a compromise at next week's meeting of the European Computer Manufacturers Association in Kobe.

Demand for DVD-Video, the entertainment version of the discs, which is positioned as a successor to the video cassette, has been reasonably strong in Japan and North America where it has gone on sale.

## THE LEX COLUMN

# French fiddle

The wheezes being deployed to get round the Maastricht criteria for economic and monetary union are ever more ingenious. France started *the ball rolling by tapping state*-owned France Telecom for FFr37.5bn in return for assuming its pension fund liabilities. This was quickly superseded by Italy's partly-reimbursable one-year tax and Germany's scheme, now shelved, to revalue the Bundesbank's gold. Clearly anxious not to be outdone by its European partners, France looks like coming back with some more jiggery-pokery: grabbing tens of billions of francs from state-owned Electricité de France.

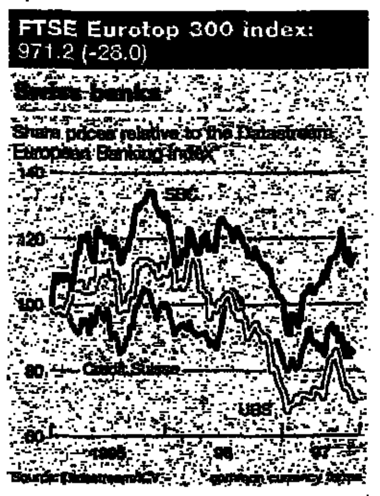
Exactly how the government's *raid will work is still unclear. But it* will probably involve EdF's FFr281bn of provisions. One thought, apparently no longer a front-runner, was to siphon off cash from the reserve for decommissioning nuclear power plants. Another idea stems from EdF's part in financing the now-abandoned Rhine-Rhône canal. What an electricity company was doing financing a canal in the first place is a bit of a mystery. Anyway, because it has now been cancelled, the state seems to feel it can extract cash for another purpose – qualifying for monetary union.

Of course, *shifting* cash from a state-owned company to the state can hardly be said to have improved the public sector's overall financial status. It is rather like a *clochard* passing a 10-franc coin from one pocket of his tattered coat to the other and proclaiming himself rich.

## SBC Warburg

Solon, the ancient Greek sage, said: "Call no man happy before he dies." A modern adaptation might be: "Call no investment bank profitable before it has suffered a bear market." In the current bull market, almost every investment bank is making good money. So celebrations over SBC Warburg's 25 per cent return on equity during the first half could turn out to be horribly premature.

Still, with that caveat, SBC's purchase of SG Warburg two years ago is looking increasingly good. A 25 per cent return is near the top of what other European investment banks are earning at this point in the cycle. True, SBC Warburg has been helped by the translation of dollar and sterling profits into weak Swiss francs and an artificially low




tax rate. But returns have been depressed by the transfer of SBC's low-profit business serving major Swiss corporations. Moreover, SBC Warburg – unlike many investment banks – does not include an asset management business; that high-return business comes under sister company SBC Brinson. Taking all these factors into account, the returns still end up in the 20s.

Of course, SBC's original investment banking business might have been earning good money even without Warburg's *addition*. But given that Warburg was acquired at about book value, it was almost certainly a bargain. Moreover, by broadening SBC's product range to include advisory and equity business, *the Swiss bank acquired a* platform for its more recent deals with Dillon Read and Long-Term Credit Bank of Japan.

## UK economy

The Bank of England has perhaps been too successful at signalling interest rates are on hold; some are even suggesting the next move will be downwards. They should not count on it. For one thing, the Bank itself thinks the risks are still on the upside. For another, the Bank's inflation forecasts seem a touch optimistic; at any rate, outsiders are generally gloomier. Moreover, if the Bank continues to be successful at talking the pound down, the side-effects of raising rates will presumably become less of a worry.

What, though, might scare the Bank into tightening the screws further? One possibility is the money supply, which has for some time been growing too strongly for the Bank's comfort. But this looks more a rumbling worry than a potential cause for panic. The more likely danger lies in the labour market, which has long looked astonish*ingly benign. Yesterday's data said* it all: despite relentlessly falling unemployment, earnings growth remains under control. No one knows when this perfect picture will start to crack. But when it does – as at some point it must – nothing is more likely to set off the Bank's alarm bells.

## Royal Bank

To buy a building society now, when retail bank shares have risen 70 per cent in the last year, looks *dreadful timing*. Ah yes, says Royal Bank of Scotland, but it has snapped up Birmingham Midshires for just 12 times normalised earnings – Woolwich, for instance, is trading at 15. The snag is that there is a good reason for the discount. Woolwich shares are pricey because investors hope it will be swallowed by a predator which can absorb it into an existing network, stripping out fat chunks of cost. Royal Bank, by contrast, is proposing no such thing: for three years at least, Birmingham Midshires will be run as a separate operation. Even then it is difficult to foresee lavish cost savings since the overlap with Royal Bank's branches is minimal. In short, apart from a bit of cross-selling of the two businesses' products, combining them is likely to add precious little value.

The winners and losers in this eccentric arrangement are not difficult to spot. The big victims are Birmingham Midshires' members, who would undoubtedly extract a better price if the business were sold to an aggressive cost-cutter. And the obvious gainers? The society's management, for whom Royal Bank's cushy deal must have powerful attractions.

Meanwhile, Royal Bank's decision to finance part of the deal by issuing £200m in new shares direct to Scottish Widows, at a 4 per cent discount, has attracted institutional tut-tutting – and rightly so. Had Scottish Widows wanted to buy such a stake in the market, it would doubtless have had to pay a premium. And Royal Bank could almost certainly have got a better price if it had offered the stock to a broader range of potential buyers; on the whole, auctions with one bidder rarely achieve the best result. This has the unwholesome flavour of a cosy Scottish stitch-up.

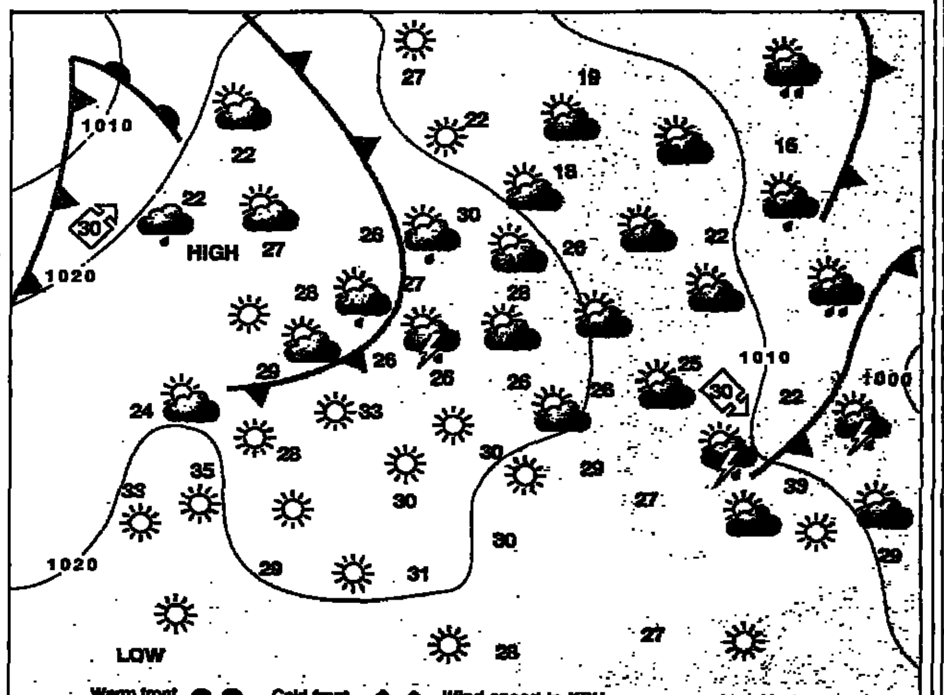
## FT WEATHER GUIDE

### Europe today

Finland and northern Russia will be cool and breezy, with scattered showers. The rest of Scandinavia and many parts of central Europe will be fine and warm, with plenty of sunshine. An area from the Black Sea into Greece will have thundery showers. There will be showers, some heavy and thundery, in an area from the Low Countries to the Alps. The Mediterranean will be very warm *and sunny, with central Spain particularly hot and humid.* It will be mainly fine with hot sunshine over most of France, but there will be a risk of thundery showers in eastern France and alpine areas.

### Five-day forecast

*The Mediterranean countries will* continue hot and sunny, although it will become increasingly unsettled over Spain and France, with the risk of thunderstorms. An area of showers will move slowly from Finland and Russia into central and eastern Europe where they will *gradually die out.* Scandinavia and the rest of Europe will be mainly fine with plenty of sunshine.




*Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre*

### TODAY'S TEMPERATURES

| | Maximum Celsius | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Beijing | Sun 32 | Caracas | Shower 32 | Faro | Sun 29 | Madrid | Fair 35 | Rangoon | Cloudy 29 |
| | | Belfast | Fair 23 | Cardiff | Sun 24 | Frankfurt | Sun 31 | Majorca | Sun 30 | Reykjavik | Cloudy 16 |
| Abu Dhabi | sun 40 | Belgrade | Fair 26 | Casablanca | Sun 28 | Geneva | Shower 26 | Malta | Fair 29 | Rio | Fair 24 |
| Accra | fair 28 | Berlin | Fair 30 | Chicago | Fair 24 | Gibraltar | Fair 24 | Manchester | Fair 22 | Rome | Sun 30 |
| Algiers | fair 29 | Bermuda | Cloudy 31 | Cologne | Fair 29 | Glasgow | Fair 22 | Manila | Shower 34 | S. Frsco | Sun 23 |
| Amsterdam | fair 26 | Bogota | Fair 19 | Dakar | Fair 30 | Hamburg | Fair 28 | Melbourne | Shower 15 | Seoul | Fair 33 |
| Athens | thunder 27 | Bombay | Shower 31 | Dallas | Fair 36 | Helsinki | Fair 19 | Mexico City | Fair 26 | Singapore | Fair 33 |
| Atlanta | thunder 33 | Brussels | Thunder 27 | Delhi | Fair 34 | Hong Kong | Fair 31 | Miami | Fair 33 | Stockholm | Sun 22 |
| B. Aires | Cloudy 21 | Budapest | Sun 28 | Dubai | Sun 41 | Honolulu | Sun 31 | Milan | Fair 28 | Strasbourg | Thunder 28 |
| B.Ham | Fair 25 | C.Hagen | Sun 25 | Dublin | Fair 22 | Istanbul | Thunder 25 | Montreal | Fair 21 | Sydney | Sun 19 |
| Bangkok | Fair 35 | Cairo | Sun 33 | Dubrovnik | Sun 26 | Jakarta | Fair 32 | Moscow | Shower 15 | Tangier | Sun 32 |
| Barcelona | Sun 28 | Cape Town | Fair 19 | Edinburgh | Fair 22 | Jersey | Fair 20 | Munich | Sun 29 | Tel Aviv | Sun 32 |
| | | | | | | Karachi | Fair 31 | Nairobi | Fair 25 | Tokyo | Fair 30 |
| | | | | | | Kuwait | Sun 47 | Naples | Fair 30 | Toronto | Sun 23 |
| | | | | | | L. Angeles | Sun 24 | Nassau | Sun 33 | Vancouver | Sun 26 |
| | | | | | | Las Palmas | Fair 27 | New York | Sun 27 | Venice | Sun 26 |
| | | | | | | Lima | Cloudy 24 | Nice | Fair 30 | Vienna | Fair 27 |
| | | | | | | Lisbon | Sun 33 | Nicosia | Sun 33 | Warsaw | Cloudy 26 |
| | | | | | | London | Fair 27 | Oslo | Sun 27 | Washington | Sun 29 |
| | | | | | | Lux.Bourg | Thunder 27 | Paris | Sun 28 | Wellington | Fair 11 |
| | | | | | | Lyon | Sun 31 | Perth | Shower 19 | Winnipeg | Thunder 25 |
| | | | | | | Madeira | Sun 25 | Prague | Fair 28 | Zurich | Fair 25 |

FINANCIAL TIMES
# COMPANIES & MARKETS
Thursday August 14 1997 · Week 33





## IN BRIEF

### SAS earns $172m in second quarter

Scandinavian Airlines System defied strong competition in its home market by announcing a return to profit in the second quarter, following heavy losses in the first three months. The group reported pre-tax profits of Skr1.38bn ($172m) in the second quarter. Page 14

**Forestry groups forecast price recovery**
SCA, Sweden's largest forestry company, and Enso, the Finnish group, fuelled optimism of a turnaround in the industry by predicting stronger prices this year. Page 14

**Pungent grass repels maize pests**
A plant that gives off a powerful smell has been found to prevent pest damage to maize and sorghum crops. Molasses grass repels pests and attracts parasites that feed on them. Page 20

**Securitas hurt by restructuring costs**
Shares in Sweden's Securitas fell 4 per cent after Europe's largest security group said first-half profits had been dented by high restructuring costs. Page 14

**Merita nets $297m in first half**
Merita, the Finnish banking group, has continued its recovery from the heavy losses of the Nordic banking crisis in the early 1990s. It reported group net profits in the first half of FM1.65bn ($297m). Page 14

**Netscape launches 'push' software**
Internet users will be able to tune in to more than 700 new information and entertainment "channels" delivered by Netscape Communications' Netcaster "push" software. Page 15

**Earnings down 45% at Hyundai Motor**
Hyundai Motor, South Korea's largest carmaker, suffered a 45 per cent drop in net earnings for the first half after offering interest-free loans to lift sales in its domestic market. Page 16

**Water shortage hits Ok Tedi**
The Ok Tedi copper mine in Papua New Guinea has suspended mill operations because of low water levels in the Fly River, which is used to transport copper concentrate. Page 20

**Companies in this issue**



**Market Statistics** http://www.FT.com



**Chief price changes yesterday**

| FRANKFURT (DM) | | | | PARIS (FFr) | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Rises** | | | |
| Hochtief | 51 | + | 1.70 | Imetal | 862 | + | 20 |
| PWA | 312 | + | 11 | **Falls** | | | |
| **Falls** | | | | Accor | 971 | – | 17 |
| Holzmann | 589 | – | 10.50 | Carrefour | 3916 | – | 84 |
| Karstadt | 694 | – | 17.50 | Danone | 932 | – | 20 |
| Porsche | 2645 | – | 105 | Elf Aquitaine | 658 | – | 22 |
| RWE | 80 | – | 3.35 | Sanofi | 603 | – | 25 |

| NEW YORK ($) | | | | TOKYO (Yen) | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Rises** | | | |
| China's Airlns | 33⅞ | + | 2½ | Amitsu | 1800 | + | 70 |
| Isomedix | 20¼ | + | 1⅛ | Cosmo Oil | 412 | + | 12 |
| John Alden Fin | 25⅝ | + | 2 | Mori Seiki | 1850 | + | 80 |
| Teradyne | 49⅝ | + | 2⅝ | Sando | 897 | + | 56 |
| **Falls** | | | | **Falls** | | | |
| Labs Chile | 29¼ | – | 2⅛ | CSK | 3840 | – | 120 |
| Micron Tech | 43¼ | – | 6⅝ | Oriental Land | 7200 | – | 220 |

| LONDON (Pence) | | | | HONG KONG (HK$) | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Rises** | | | |
| Copyright | 105½ | + | 18 | Cathay Pac | 15.20 | + | 0.80 |
| Molins | 610 | + | 22½ | China Res | 38.80 | + | 1.80 |
| Norwich Un | 334 | + | 13½ | Henderson Inv | 9.20 | + | 0.40 |
| **Falls** | | | | Winsor Ind | 2.30 | + | 0.07 |
| Flying Flowers | 384½ | – | 17½ | **Falls** | | | |
| Intel. Envs. | 47¼ | – | 9 | Cosco Pac | 17 | – | 0.15 |
| Wolseley | 458½ | – | 14 | Sime Dar HK | 9.20 | – | 0.10 |

| TORONTO (C$) | | | | BANGKOK (Baht) | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Rises** | | | |
| Emscan Entr | 6.00 | + | 0.65 | Delta Elec | 276.00 | + | 22.00 |
| HCO Energy | 9.80 | + | 1.55 | Natl. Petro | 26.00 | + | 2.25 |
| Intl Curator | 5.10 | + | 0.65 | Seafresh Inds | 35.00 | + | 3.00 |
| N Amer Pall | 4.20 | + | 0.40 | **Falls** | | | |
| **Falls** | | | | Asia Secs | 39.25 | – | 4.00 |
| Ellerlec Res | 13.05 | – | 0.70 | Kulthorn Kirby | 25.50 | – | 2.75 |
| Magellan Aero | 7.50 | – | 0.50 | Tisco | 23.00 | – | 2.25 |

New York & Toronto prices at 12.30.

# SBC lifted by investment banking arm

By William Hall in Zurich

Swiss Bank Corporation is reaping rich rewards from its investment banking business, which is now contributing more profit than any other division for the first time in the bank's history.

SBC yesterday announced a 84 per cent jump in first-half net income to SFr1.33bn ($873m), comfortably ahead of its two bigger Swiss rivals, indicating the growing success of its 1995 acquisition of SG Warburg.

SBC Warburg, formed from the merger of SBC's international division with SG Warburg, raised net income 60 per cent to SFr691m, overtaking SBC Private Banking, which lifted net income 36 per cent to SFr653m.

SBC Brinson, the global asset management business, more than doubled its net profits, to SFr62m, partly because it inherited part of SBC's private banking fund management business, and the group's domestic Swiss business earned SFr119m in the latest period, compared with SFr14m.

SBC shares slipped SFr2 to SFr415 yesterday, but the bank is more highly rated by investors than either of its two rivals, Credit Suisse and UBS.

SBC warned that it did not expect its results in the second half would match the first half. However, it was confident that it would exceed its target for 1997 of net profits of SFr1.7bn.

Mr Peter Wuffli, the group's finance director, highlighted the 28 per cent growth in revenues, to SFr6.8bn, as evidence that the group could increase its business faster than that of its competitors.

The group's annualised return on equity of 19.2 per cent was better than its rivals and it is confident that it can meet its target return on equity of 15 per cent well before 1999. The turnaround in its domestic Swiss operations, which has been the Achilles' heel for all three Swiss banks, was also ahead of plan, said Mr Wuffli.

The group's cost/income ratio fell from 63.7 to 61.5, but Mr Wuffli said that he was "still not happy with it". SBC's expenses rose by 29 per cent, to SFr4.19bn, which was noticeably faster than at UBS, which reported a 20 per cent growth, to SFr3.8bn.

Part of this was due to the depreciating Swiss currency and the number of employees had declined by 657 to 26,833 since the end of the year.

SBC's profits were also lifted by a 43 per cent jump in trading income to SFr2.23bn.

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# Challenger aims to take due credit

## A merger of IBCA and Fitch could shake up the 'big two' agencies, writes Edward Luce

A much-needed dose of competition could be injected into the global credit rating market if the merger between IBCA and Fitch Investors Service, Europe's biggest and the US's third largest rating agencies, goes ahead.

The two agencies said on Monday they were considering a tie-up which would create the world's third largest agency and challenge the dominant New York-based companies – Standard & Poor's and Moody's Investors Services.

Credit rating agencies make money by charging fees to companies and governments which issue bonds or other debt instruments in exchange for a credit rating. Scales range from AAA, for the most creditworthy blue chip borrowers such as the World Bank or Toyota, through to so-called "speculative" grades of triple BBB or below, indicating a higher risk of default.

S&P, which is owned by McGraw Hill, the media and finance company, and Moody's Investors Service, owned by Dun & Bradstreet, the information services group, are the two oldest agencies in the US, the world's most developed and sophisticated bond market.

However, analysts believe that the merged entity could give the "big two" a run for their money.

"IBCA has the real advantage of being a European-based agency with knowledge of the European market," said Mr Gary Jenkins, head of European credit research at BZW in London. "Europe is probably the fastest-growing credit market so this is a big plus."

However, few analysts expect the merged group to make rapid inroads.

Although precise details are unavailable about the extent of S&P's financial strength, market estimates put annual revenues at more than $200m, while Moody's reported revenues of $385m in 1995. These dwarf those of the other two. Fitch, for example, reported revenues of $65m in 1996.

In addition, it would be difficult for the new entity to rival the extensive global networks of the "big two". Moody's, which was set up in 1900, has 12 offices worldwide and more than 1,000 credit analysts. S&P's, which started issuing credit ratings in 1921, says it has graded more than $10,000bn of outstanding global debt – an overwhelming majority of the world's bond and related debt issues.

By contrast, with just 180 analysts and two offices, IBCA has a fraction of the resources available to the "big two". Although it has a competitive edge in rating banks – which was what it was originally set up to monitor in 1978 – IBCA has rated only 100 corporations. As a private company IBCA does not publish its financial results.

Similarly, almost all of Fitch's 300 analysts are based in the US and the group's presence in Europe has been mainly in specialised areas such as the asset-backed and securitisation markets.

Officials at Moody's and S&P are confident that they will be able to fend off any competitive threat. "One plus one does not equal three," said an official at one of the "big two" in New York.

Independent analysts agree that IBCA and Fitch would find it difficult to acquire the name and prestige to challenge the "big two".

"It would be an enormous task to establish this sort of global network and name recognition," said one analyst. "It would be a bit like challenging Coca-Cola and Pepsi Cola for pre-eminence in the soft drinks market."

However, Fitch, IBCA and other smaller agencies have their supporters. Some big European companies are reluctant to solicit ratings from the two global agencies, say credit analysts. Carrefour, for example, the French supermarket chain, refused to seek a rating on a recent bond issue from either S&P or Moody's. Other companies, both in the US and Europe, have complained that the agencies have used 'strong-arm tactics' to persuade them to solicit ratings.

With capital markets in Europe and in the emerging markets growing rapidly, analysts predict that demand for credit information will begin to assume the importance it has in the US – and this is where IBCA and Fitch hope to gain market share.

# Visa acts to boost US use of debit cards

By John Authers in New York

Visa, the banking association, yesterday stepped up efforts to persuade US consumers to use debit cards by announcing big cuts in cardholders' liability when their stolen or lost cards are used fraudulently.

From November, liability for those who report cards lost within 48 hours is reduced to zero from $50, while liability for those reporting after that is cut to $50. Under present federal law and Visa regulations, cardholders were liable for up to $500 if reporting within two months, with unlimited liability after that.

The move, which applies only to cards issued in the US, is the strongest demonstration yet that Visa now regards cash and cheques, rather than rival card issuers, as its most important competition.

Visa's move follows a similar one last month by MasterCard, the other leading US bank card association. It is part of a concerted attempt by both associations to persuade Americans to adopt the debit card concept, which has been slower to catch on than in other developed nations. The reduced liability will also apply to fraudulent transactions made on the internet.

Visa's debit card accounted for $63bn in US transactions in the year to the end of March, 86 per cent more than the previous year. This makes it the association's fastest growing product.

Mr Carl Pascarella, chief executive of Visa USA, said the move was meant to preempt any changes in federal regulations and assuage consumers' fears that their mortgage cheques might bounce if they lost their debit card.

# Mitsui to aid building arm

By Michiyo Nakamoto in Tokyo

Mitsui Construction is to receive financial help from other members of the Mitsui group as part of a restructuring programme.

The agreement to support the troubled company, announced yesterday, highlights the difficulties facing Japan's construction industry, whose property-linked debts have risen sharply in the past few years.

Mitsui Construction has been struggling under the weight of Y493bn ($4,178m) in debt and loan guarantees, or 10 times the level of its shareholders equity at the end of the 1996 fiscal year. At the same time, Sanken Fudosan, a property subsidiary in which Mitsui Construction has a 50 per cent stake, has latent losses of Y50bn on its property assets.

Japanese construction companies have been bowed down by the burden of huge loans to the property sector, and loan guarantees extended to developers to win construction orders during the bubble years of the economy in the late 1980s.

Within the past month Tokai Kogyo, the listed construction company, collapsed with debts of Y510bn. Subsequently Tada, a medium-sized company listed on the first section of the Tokyo Stock Exchange, filed for court protection from creditors with debts of nearly Y180bn.

While the weak economy has hit business, land values have fallen to about 70 per cent below their peak levels.

Under the agreement, Mitsui Construction will receive financial and business support from four financial institutions, including Sakura Bank, as well as Mitsui Fudosan, Japan's largest property developer, and Mitsui and Co, the trading house.

The company plans to cut 400 jobs, 10 per cent of the workforce, and to reduce debts and loan guarantees by Y74bn.

# Hoechst tries to soothe market after profit fall

By Graham Bowley in Frankfurt

Hoechst, Germany's biggest chemicals and pharmaceuticals group, yesterday sought to reassure investors after it announced a 54 per cent drop in pre-tax profits to DM2bn ($1.07bn) in the first half of 1997, triggering a sharp fall in its share price.

It blamed distortions caused by exaggerated profits last year from the sale of subsidiaries. On a comparable basis, pre-tax profit increased 10 per cent to DM2.58bn from DM2.35bn in the first half of 1996, it said.

But Hoechst shares fell by about 5 per cent, or DM4.3, to DM80.50 by the end of electronic trading in Frankfurt, amid a general sell-off in the German stock market, which closed down about 3 per cent.

Hoechst also said it would press on to resolve difficulties in the rest of its ailing textile and technical fibres division following the decision this week to spin off the European branch into a joint venture with Multikarsa of Indonesia. Mr Justus Mische, responsible for fibres business, said it was looking for a good partner.

Meanwhile, the group insisted that business developed "favourably" in the first six months of 1997, helped greatly by the weakness of the D-Mark against the US dollar.

Mr Klaus-Jürgen Schmieder, chief financial officer, warned that net profit would be lower in 1997 and further spin-offs at the group, which has undergone intense restructuring, would depress sales in the second half of the year.

But he insisted that, after stripping out these factors, the group's 1997 operating profit would still be slightly higher than in 1996. "We are looking at a single-digit increase on the operating income level [on a comparable basis]. If we can achieve a 7 per cent increase on operating income for the full year, we would be very satisfied," he said.

Hoechst said the D-Mark's weakness gave significant impetus to sales and operating profit in the first six months. Sales rose 7 per cent to DM28bn, with exchange rate movements accounting for almost three-quarters of this rise.

Mr Schmieder said revenue for the whole year was expected to be only slightly above DM40bn. Operating profit declined 18 per cent to DM2.3bn. However, on a comparable basis, it rose 7 per cent to DM2.6bn.

# Forestry groups see recovery in prices

By Greg McIvor in Stockholm

SCA, Sweden's largest forestry company, and Enso, the Finnish group, yesterday fuelled growing optimism of a turnround in the industry by predicting stronger prices later this year.

However, the two reported contrasting first-half profits. Enso's pre-tax profits slid from FM1.1bn to FM928m ($166.6m) as it felt the effect of weaker prices compared with last year.

Meanwhile, a strong performance in its big hygiene products division helped SCA report pre-tax earnings up from SKr1.7bn to SKr2.3bn ($287m).

Both companies stressed that demand for paper products was rising and prices of some important grades would be stronger by the end of the year.

The trend was being underpinned by a steady strengthening in the price of wood pulp, the essential raw material for paper.

Mr Jukka Härmälä, Enso chief executive, said: "Balance sheets are healthier and not too much capacity has been built. At the same time, European economies are doing very well."

Enso predicted full-year profits this year would be higher than the FM1.66bn attained in 1996.

SCA forecast price rises this year for corrugated board, printing paper, fine paper and liner – a base material for packaging.

The companies' optimism failed to lift their shares. SCA's most-traded B stock closed down SKr2 at SKr192.50, while Enso's R shares fell FM0.80 to FM51.20.

SCA's strong bias in hygiene products such as nappies, incontinence and feminine care products helped it to buck the trend of falling profits among most big Scandinavian producers in the first half.

These products are less sensitive to lower pulp prices than lower value-added grades, such as printing and packaging papers.

Operating profits at the hygiene unit rose 31 per cent, from SKr1bn to SKr1.3bn.

However, profits of SKr658m in the second quarter were lower than the SKr686m posted in the first three months.

Hygiene product sales rose from SKr12bn to SKr13bn. Group turnover was SKr29.3bn, against SKr28.2bn.

SCA's second-largest operation, packaging, posted a decline in operating profits from SKr615m to SKr569m, although second-quarter earnings were double those in the first quarter. Volumes rose 10 per cent but prices fell 11 per cent.

Enso reported a 66 per cent slump in operating profits at its publication paper unit. Earnings fell from FM837m to FM289m, due to low paper prices.

This was offset by a sharp improvement in the fine paper division. Strong demand lifted operating profits from FM31m to FM187m, in spite of soft prices.

# Study boost for RPR's Lovenox

By Tracy Corrigan in New York

Lovenox, a clot-preventing drug produced by Rhone-Poulenc Rorer, the US-listed drugs arm of Rhône-Poulenc of France, has been shown to be more effective than the treatment commonly used, according to a study published today in The New England Journal of Medicine.

The drug, which is in the final stages of review by the US Food & Drug Administration for the treatment of unstable angina, was found to be 16 per cent more effective in reducing the recurrence of chest pain and heart attacks than the commonly-used treatment, according to Dr Marc Cohen, the study's lead author and professor of medicine at Allegheny University, Philadelphia.

In June, the FDA's physician advisory panel voted to recommend its use for the treatment of unstable angina. The FDA's decision is expected in September.

Lovenox, which already has FDA approval for hip and knee replacement and abdominal surgery, had sales of $400m in 1996. The company said sales were projected to rise between 20 and 25 per cent this year.

If the drug is given approval for unstable angina, it could become RPR's first blockbuster drug. Blockbuster drugs are typically characterised as those with annual sales of more than $1bn.

No drug is currently approved by the FDA for treating unstable angina, but patients are typically treated with standard heparin and aspirin.

In 1994 an estimated 1.5m people worldwide were diagnosed with unstable angina, which can lead to heart attacks.

# SAS surprises with turnround in quarter

By Tim Burt in Stockholm

Scandinavian Airlines System yesterday defied intensifying competition in its home market by announcing a return to profit in the three months to June, following heavy losses in the first three months of the year.

The group – 50 per cent owned by the Swedish, Norwegian and Danish governments – reported a sharp increase in second-quarter pre-tax profits from SKr867m last time to SKr1.38bn ($172m).

Sales increased 15 per cent from SKr9.24bn to SKr10.6bn.

Industry analysts were surprised at the scale of the rebound from the SKr269m loss in the first quarter, when the airline was hit by new competition from rival carriers such as Virgin of the UK and Maersk of Denmark on intra-Scandinavian routes.

"We had expected them to take a much more of a bath in this quarter because of the impact on yields from competitors," said Mr Charles Donald, European transport analyst at UBS in London.

Other analysts said the group's stranglehold on routes and landing slots within Scandinavia had helped protect it from new market entrants.

SAS controls about 80 per cent of passenger traffic between the Nordic capitals of Oslo, Stockholm and Copenhagen, and 90 per cent of the business class traffic.

Mr Jan Stenberg, president, said the airline had enjoyed favourable traffic growth on intra-Scandinavian and European routes, in spite of pressure from other carriers.

"Taken overall, SAS was well able to defend its market shares through new fare structures, new products and special offers," he said.

Positive reaction to the results helped lift SAS shares SKr12 to SKr124 in Stockholm and NKr9 to NKr114 in Oslo.

The group's first-quarter losses, however, contributed to lower pre-tax profits of SKr1.11bn, compared with SKr1.18bn, in the first six months of the year.

Mr Gunnar Reitan, chief financial officer, said the full-year figures would also be held back by the poor performance at the start of the year.

Jan Stenberg: successfully defended SAS market shares

Nevertheless, he said the airline was benefitting from increased demand, particularly from premium fare business class passengers.

According to Mr Reitan, the rate of market growth justified SAS's decision to invest SKr10bn over the next five years in new aircraft.

The expanded fleet will help meet capacity demands at SAS, which saw passenger traffic increase 4 per cent in the first half and 7 per cent in the second quarter.

# Restructuring costs leave Securitas flat

By Tim Burt

Shares in Securitas yesterday fell 4 per cent to SKr215 after Europe's largest security group said first-half profits had been dented by higher than expected restructuring costs.

The Swedish group – reporting pre-tax profits of SKr230m ($28.7m), compared with SKr228m – blamed the flat results on a SKr35m reorganisation charge in Germany, where it spent SKr736m last year to acquire DSW Security, the country's fourth largest guard services company.

Mr Hakan Winberg, chief financial officer, said the associated redundancy charges and merger costs could reach SKr50m by the year-end.

He warned that up to 6 per cent of Securitas's 1,500 workers in Germany could lose their jobs, adding that tough choices had to be made to improve efficiency.

"The extensive restructuring programme in the German cash-in-transit operations has taken longer than anticipated, and as a result it is not expected to generate a positive result during 1997," he said.

The first half was also undermined by falling volumes in Spain, one of the group's largest markets, where sales dropped 3 per cent to SKr627m.

Earnings per share fell slightly from SKr2.28 to SKr2.26.

Analysts have cut profit forecasts from about SKr670m to SKr605m for this year, compared with the SKr550m achieved last time.

Nevertheless, strong organic growth in Scandinavia helped lift group sales from SKr4.29bn to SKr5.08bn in the first six months. That helped lift operating income to SKr307m (SKr296m).

The sales increase was fuelled partly by strong maiden contributions from Security Express of the UK and SGI of France, two small subsidiaries acquired last year.

Mr Winberg said the results would not affect the group's expansion plans. He predicted that acquisition spending this year was likely to match the SKr1bn spent in 1996.

# Swiss drugs group doubles to $41.1m

By William Hall in Zurich

Ares Serono, the Swiss pharmaceutical company which is the world leader in the treatment of infertility, doubled its net income in the first six months of 1997 to $41.1m.

The group said it expected its strong performance to continue in the second half.

The shares, which have more than doubled this year, closed up SFr15 at a record high of SFr2,695 yesterday.

The family-controlled company, which has a stock market capitalisation of close to SFr10bn ($6.6bn), has undergone a substantial re-rating over the past year as analysts have recognised its ability to exploit its dominant position in the fast-growing market for infertility treatment. It is is believed to have a 75 per cent share of the global market.

When it announced half-year results last year, it was trading on 65 times prospective earnings. Today, it is trading on 117 times prospective 1997 earnings, rating it much higher than Novartis and Roche, Switzerland's best-known pharmaceutical companies.

In the latest six months, investment in research and development grew 22 per cent to $81.8m, compared with a 16.4 per cent increase in net sales to $437.6m.

Mr Ernesto Bertarelli, who took over from his father as chief executive last year, says the latest result reflected a strong contribution from the US market and several successful product launches.

North American sales rose 49 per cent and European pharmaceutical sales 9.2 per cent in local currency terms. Sales in Japan of $16.3m were 9.2 per cent down in local currency terms.

Metrodin, a fertility drug for females, remains the group's best-selling drug.

The group earned $10.97 a share in the latest six months.













# Merita ahead at halfway as loan losses ease

By Hilary Barnes in Copenhagen

Merita, the leading Finnish banking group, continued its recovery from the heavy losses of the Nordic banking crisis in the early 1990s as first-half loan losses narrowed.

Group net profits were ahead from FM595m to FM1.65bn ($297m) and profit on ordinary operations rose from FM681m to FM1.81bn.

Earnings per share rose from FM0.77 to FM1.99 and return on equity was up from 13.8 per cent to 26.7 per cent.

The group's costs continued to decline in line with plans, falling from FM3.23bn to FM2.29bn as staff numbers were cut from 16,235 a year ago to 14,794. Further reductions are planned.

The group's net loan losses narrowed from FM825m to FM325m and could fall to 0.5 per cent of lending for the full year and even less in coming years, said Mr Veta Vainio, chief executive.

Mr Vainio attributed an increase in net interest income, by FM100m to FM2.09bn, to a big decline in non-performing loans as the Finnish economy continued its rapid recovery.

Profits from securities trading almost doubled from FM691m to FM1.24bn, which included earnings from a reduction in equity exposure.

"There are no factors at present which threaten the favourable development of the stock market, but a turnround will inevitably come," Mr Vainio said.

"By deliberately reducing our equity holdings we have significantly lowered our market risk," he added.

Despite an expected GDP growth rate in Finland this year of 4.5–5 per cent, Merita's loans to the public remained unchanged at FM145bn, while deposits increased by FM1.2bn to FM139.5bn. Total group assets were ahead by FM8bn to FM279.8bn.

The capital adequacy ratio rose from 10.9 per cent a year earlier to 11.6 per cent, with a Tier 1 or core capital ratio of 6.6 per cent.

● Postipankki, the Finnish state-owned bank, reported a 17 per cent fall in first-half operating profits from FM462m to FM383m.

There was also a decline of 19 per cent in net profits, from FM452m to FM368m, but the comparison with last year was distorted by substantial gains on sales of debt securities in the first half of last year, the bank said.

Operating earnings for the year are expected to be level with last year's FM602m, said Mr Eino Keinanen, chief executive.

Write-backs of loan-loss provisions enabled the bank to report a positive income of FM66m against a negative FM102m last year. Total operating income fell by 17 per cent to FM1.26bn while expenses declined by 4 per cent to FM1.36bn.

## EUROPEAN NEWS DIGEST

# Renault sales pass FFr100bn

Renault, the struggling French carmaker, has passed a landmark, clocking up first-half sales in excess of FFr100bn ($15.9bn) for the first time. The group said yesterday that consolidated revenues for the six months to June amounted to FFr100.04bn, an increase of 6.3 per cent from year-earlier levels.

The chief contribution was from the car division, which achieved revenues of FFr80.09bn, up 7.4 per cent from 1996, on the back of an improved model mix related largely to the success of the Mégane, the company's mid-sized range. Revenues from the commercial vehicles unit edged up 3.5 per cent to FFr15.93bn. This figure masked a decline in the sales of RVI in Europe, which was more than offset by the improved performance of Mack Trucks in the US. The group, recently embroiled in a political storm over the closure of its plant at Vilvoorde in Belgium, made a 1996 loss of FFr5.2bn.

*David Owen, Paris*

■ PHARMACEUTICALS

## Novo Nordisk overcomes trend

Novo Nordisk, the Danish pharmaceuticals and industrial enzymes producer, bucked a global trend in the sector with a 15 per cent first-half increase in operating income, and 10 per cent in net income. The group's share-price firmed following yesterday's results statement, rising DKr8 to DKr712 in late trading.

Turnover was ahead 12 per cent to DKr7.82bn ($1.1bn). Operating profits rose 15 per cent to DKr1.31bn, while pre-tax profits were up 9 per at DKr1.34bn. Net profits rose 10 per cent from DKr873m to DKr960m, with earnings per share up from DKr11.64 to DKr12.80. Sales by the health-care division increased 11 per cent to DKr5.21bn, including a 13 per cent rise in sales of diabetes care products to DKr4.11bn. However, in the important US market, sales of diabetes care products fell 8 per cent. Novo Nordisk blamed lower than anticipated sales of insulin for use in the group's pen injection systems, and a loss of staff to companies marketing oral diabetes care products, which the Danish company has yet to introduce.

*Hilary Barnes, Copenhagen*

■ LUXURY GOODS

## LVMH sales surge 62% midway

LVMH, the French luxury goods group trying to derail the planned merger between the UK's Guinness and Grand Metropolitan, yesterday unveiled a sharp 62 per cent increase in first-half sales to FFr21.59bn ($3.44bn).

The figures include a FFr6.93bn contribution from DFS, the US duty-free chain in which it bought a majority stake last year. In the full year of 1996, DFS made operating profits of FFr1.73bn, on turnover of FFr14.01bn, based on an exchange rate of FFr5.11 to $1.

Among the other divisions, luggage and fashion progressed strongly from FFr4.76bn to FFr5.71bn, while champagnes and wines were ahead from FFr2.11bn to FFr2.4bn. Cognac and spirits sales fell from FFr2.36bn to FFr2.34bn. The company said volume growth in the US partly offset the impact of a strategy aimed at reducing inventories in the Japanese market. The group recorded a 68 per cent increase in first-quarter sales.

*David Owen, Paris*

■ LUFTHANSA

## Sell-off bank consortium named

The consortium handling the autumn DM5bn ($2.68bn) privatisation of the state's remaining stake in Lufthansa, the German airline, would consist of 23 German and foreign banks, the government said yesterday. It has already been announced that Dresdner Kleinwort Benson and SBC Warburg will be global co-ordinators, with Deutsche Morgan Grenfell the senior co-lead manager next to DG Bank and Merrill Lynch.

A further 10 co-managers have been chosen for Germany and eight for non-German markets. Senior co-managers for Germany are Bayerische Landesbank, Bayerische Vereinsbank, Commerzbank and Westdeutsche Landesbank. Senior co-managers for the international placing are Morgan Stanley and Union Bank of Switzerland. The other banks in the German part of the consortium are Bankgesellschaft Berlin, Südwest LB, BHF-Bank, Landesbank Hessen-Thüringen, Sal.Oppenheim and Trinkaus und Burkhardt. Completing the foreign group are ABN Amro Rothschild, Banco Bilbao Vizcaya, Creditanstalt-Bankverein, Daiwa, NatWest and Paribas.

*Andrew Fisher, Frankfurt*

■ INSURANCE

## Axa-UAP rises to FFr185.8bn

Axa-UAP, France's largest insurance group, yesterday reported a 12.7 per cent rise in first-half consolidated revenues to FFr185.8bn ($29.59bn). Life insurance led the advance, with revenues rising 15.7 per cent to FFr100.1bn ($15.9m). The strongest growth rates were seen in North America (25 per cent) and the Asia-Pacific region (35.1 per cent).

In the UK, premium income rose 33.1 per cent to FFr14.6bn. One-third of this was attributed to sterling's appreciation. Property and casualty insurance grew at a more modest pace – 2.6 per cent – with total revenues reaching FFr52.14bn. In France, excluding transnational activity, this sector stagnated, with premium income of FFr18.3bn. With a 28.4 per cent rise, financial services showed the strongest growth, although at FFr26.22bn they continue to represent a small proportion of total activity. In North America revenues increased 42 per cent. Half of this was accounted for by the rise of the dollar against the French franc. Axa-UAP said that growth in North America was pulled by Donaldson, Lufkin & Jenrette, the investment bank acquired by Axa in 1991 as part of the takeover of Equitable, the US insurance group. Activity at DLJ rose 26 per cent after adjusting for currency fluctuations.

*Samer Iskandar, Paris*

■ PHARMACEUTICALS

## Gehe boosted by Lloyds buy

Gehe, the German pharmaceutical wholesaler, said yesterday that pre-tax profits grew 15.4 per cent to DM226.5m ($121.6m) in the first six months of the year, with the newly acquired Lloyds Chemists of the UK making a positive contribution to earnings. Group sales climbed 18.2 per cent to DM12.4bn, also boosted by Lloyds, Gehe said. Excluding Lloyds, sales were up 4 per cent, with all divisions contributing to growth.

Gehe said it expected this trend to continue for the year. Full-year sales are expected to rise from DM21.40bn last year to DM24.5bn. Pre-tax profit is expected to climb by between 15 per cent and 20 per cent from last year's DM407m.

*AFX News, Stuttgart*

■ SWEDISH UTILITIES

## Lower costs buoy Vattenfall

Vattenfall, the dominant Swedish state-owned power utility, yesterday reported a 6.5 per cent rise in half-year pre-tax profits, from SKr3.5bn to SKr3.8bn ($474m). The company said lower costs for electricity purchases linked to higher hydro-power generation helped offset weaker first-quarter earnings. Profits were also lifted by increased capital gains, partly relating to the sale of a 49 per cent stake in its natural-gas subsidiary to four foreign gas companies in May.

*Greg McIvor, Stockholm*

# NYSEG bid battle moves to the courts

By John Labate in New York

The battle for control of one of New York State's leading power utilities moved to the courts yesterday, as a Manhattan judge heard arguments intended to block a tender offer by power company CalEnergy.

A decision is expected by Thursday, the day that CalEnergy's tender offer is set to expire at midnight.

On July 15 CalEnergy, which is based in Omaha, Nebraska, launched a $1.9bn takeover bid for NYSEG, one of New York State's leading regulated utilities.

The bid, in two parts, consists of a $24.50 a share tender offer for 6.5m shares in NYSEG, which would raise CalEnergy's holding to 9.9 per cent.

A simultaneous bid of $37.50 a share was also made for full control of NYSEG's common shares.

At the time of the bid, CalEnergy chief executive and chairman Mr David Sokol stated his ultimate goal was a full takeover.

Such a move, however, would involve the regulatory authorities, while the 9.9 per cent stake would not.

Mr Sokol stated his intention on Tuesday to withdraw the $27.50 a share controlling bid for NYSEG if not enough of the 6.5m shares are tendered by the midnight deadline.

NYSEG filed its lawsuit on July 30, attempting to block CalEnergy's tender offer, claiming that the private company had "improperly used confidential information".

The two companies had previously held merger talks, but were unable to reach an agreement. NYSEG's board of directors also recommended that its shareholders reject the CalEnergy bid on the grounds it is inadequate based on the value of the utility.

Yesterday morning, NYSEG shares, which are traded on the New York Stock Exchange, lost $⅝ at $25⅛. CalEnergy's shares also fell $⅝ at $36⅞.

NYSEG's stock has floundered in recent months following the utility's write-offs of its nuclear power interests.

The utility is caught up in the movement to deregulate New York's utility market in an attempt to reduce rates. NYSEG delivers electricity and gas to slightly more than 1m residents of upstate New York. If successful, CalEnergy's takeover of NYSEG would be unique since the two companies are not based in neighbouring states.

CalEnergy's successful hostile bid for UK-based Northern Electric in late 1996 resulted in a tripling of its revenues. It derives more than half its earnings from overseas interests in the UK and Asia. Revenues for 1997 are expected to exceed $2bn.

# Harrell heard it through the grapevine

## Motown chief's dismissal highlights changing nature of black music market, says **Alice Rawsthorn**

Two years ago Mr Andre Harrell ran an advertising campaign to trumpet his appointment as chairman of the legendary Motown Records, while his former assistant, Mr Sean "Puffy" Combs, was trying to establish Bad Boy, his new record label.

Times change. This week PolyGram, the Dutch entertainment group which owns Motown, confirmed that Mr Harrell had been dismissed from the legendary soul label. Meanwhile, Mr Combs was among the top two of the US album and singles charts in his guise as the rapper and record producer, Puff Daddy.

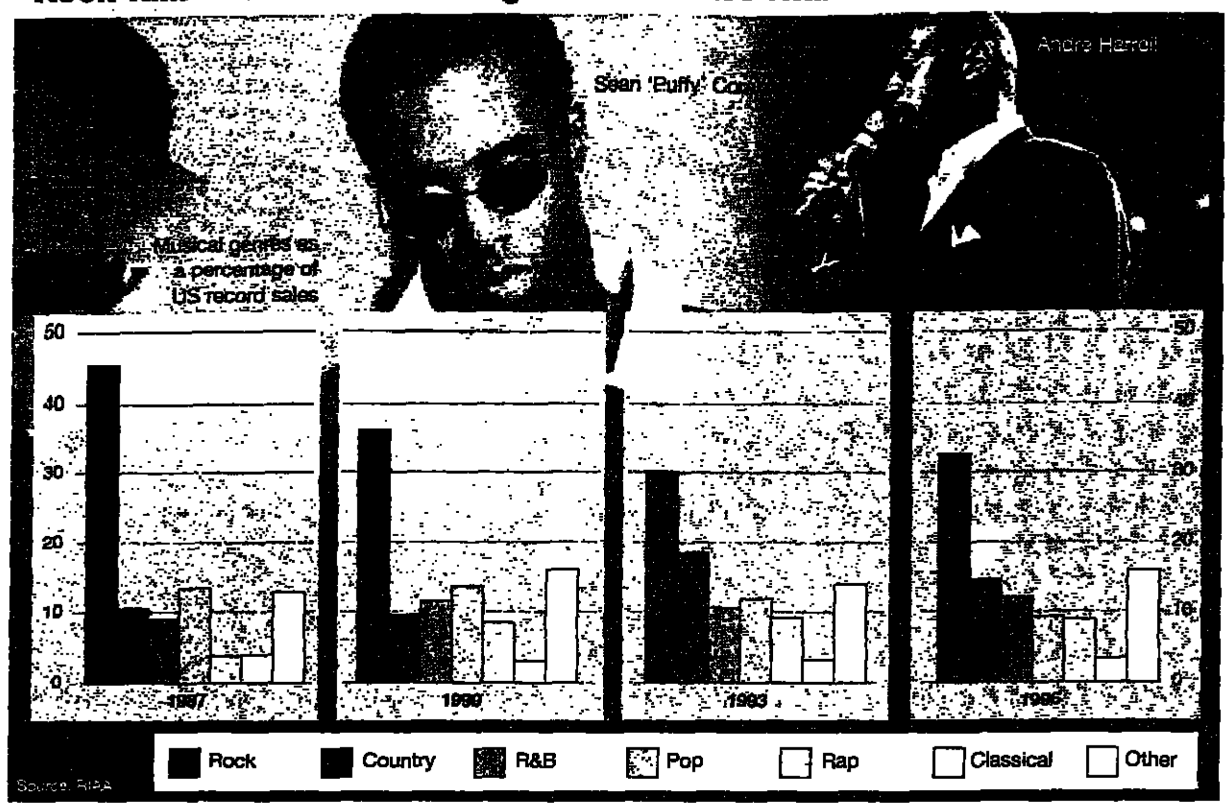
The two men were competing in the black music market to become the 1990s' version of Mr Berry Gordy, who founded Motown with an $800 loan in 1959 and became North America's first black entertainment mogul.

Mr Harrell now seems to be out of the race, leaving Mr Combs to battle against other Gordy-wannabes such as Mr Russell Simmons, founder of Def Jam Records, another PolyGram subsidiary; Mr Marion Suge Knight, chairman of Death Row Records; and Mr Kenneth "Babyface" Edmonds and Mr Antonio "LA" Reid, founders of the LaFace label which, like Bad Boy, is part of Bertelsmann, the German media group.

Black music's financial fortunes have fluctuated since Motown's heyday in the 1960s but they are now in the ascendant.

Rap music, once dismissed as a transient phenomenon by the white-dominated US music industry, has steadily gained popularity in the 1990s. And the more melodic genre of R&B, or rhythm and blues, has been revived by the success of new artists such as Toni Braxton, R. Kelly and Maxwell.

**Rock fall: black music wins greater market share**




Rock music has seen its share of the US music market (worth $12bn at retail) slip from 45.5 per cent 10 years ago to 32.6 per cent last year, according to the Recording Industry Association of America (RIAA). Over the same period, R&B's market share has risen from 9 per cent to just over 12 per cent, and rap's has more than doubled from 3.8 per cent to 8.9 per cent.

Both genres have fared even better in 1997, with R&B album sales increasing by 13 per cent, twice as fast as the total market, during the first half of the year. A series of rap releases have topped the US charts. Many of them were produced by Mr Combs, who has a flair for fusing rap with softer R&B sounds, as in *I'll Be Missing You*, a tribute single to the late rapper, Notorious B.I.G., which has sold 7m copies worldwide.

Rap has also disproved the US industry's initial assumption that it had little appeal outside North America, by scoring a succession of international hits. When Will Smith's *Men In Black* dislodged *Missing You* from the top of the UK singles chart last weekend, it marked the first time that the UK has had two successive rap singles at number one.

The problem for the white executives who dominate record companies is that they do not understand rap music or even, to a lesser degree, the new R&B artists. Their solution is to profit from the new black music's success by investing in labels like LaFace and Bad Boy, leaving the running of them to black producers such as Mr Edmonds, who works with Toni Braxton, and Mr Combs.

The industry's preference for adopting an arm's length approach to rap was reinforced by concerns about the violent lifestyles of some "gangsta-rap" artists culminating in the murders of Tupac Shakur, signed to Death Row, and Bad Boy's Notorious B.I.G.. Decadence and degeneracy has long been central to rock music's commercial appeal, but the extremes of gangsta-rap look like the music industry's worst nightmare.

If all goes well, the arms-length approach can yield huge profits, as Bertelsmann has discovered at Bad Boy. But if anything goes wrong, the consequences can be disastrous because multinational music groups are left with little control over one of their most profitable businesses.

Two years ago, Time Warner, the US media group, sold its 50 per cent stake in Interscope Records to Seagram, the Canadian drinks and entertainment concern, after a political row over the gangsta-rap music released by Death Row, which is part of Interscope.

Time Warner looked foolish when Death Row went on to release two of 1996's 10 best-selling US albums, but seems less so in the light of Tupac Shakur's murder last autumn, Mr Knight's imprisonment (on an unrelated charge) and an FBI investigation into the label's finances.

Meanwhile, PolyGram allowed Mr Harrell to spend heavily on signing dozens of new acts to Motown in an attempt to replicate the success of LaFace and Bad Boy. But when his expensive signings failed to produce hits, it dropped him, with a reported $5m pay-off.

PolyGram now needs to find a new way of rejuvenating the label it bought for $300m four years ago, while Mr Harrell faces the indignity of watching his former protege, Puff Daddy, become the hot favourite to win Mr Gordy's crown.

# Hicks Muse expands in TV with Lin buy

By Richard Tomkins in New York

Hicks, Muse, Tate & Furst, a Texas buy-out company, has set the stage for a big expansion of its US television interests by agreeing to buy Lin Television, an operator of eight network-affiliated television stations, for $1.45bn in cash.

The acquisition comes amid a flurry of deals in the industry following last year's decision by Congress to remove many restrictions on the ownership of US television stations.

Since its formation in 1989, the Dallas-based Hicks Muse has completed or agreed more than 100 transactions with a capital value of more than $22bn. Its diverse range of interests includes heavy investments in radio.

Last year Hicks Muse made its first foray into the television industry by launching Sunrise Television as a holding company for the acquisition of smaller television stations serving the 50th to the 150th biggest markets in the US. It subsequently bought four small stations for $160m and agreed to buy another three for $45m.

Hicks Muse said Lin Television would serve as the vehicle for acquiring bigger television stations serving the top 50 US television markets. It said it had no plans to combine the operations of Lin and Sunrise.

Hicks Muse announced late on Tuesday night that it had agreed to pay $47.50 a share in cash for each of Lin's shares, which are quoted on Nasdaq. It said it was also assuming Lin's debt of about $260m.

Some 45 per cent of Lin's stock is owned by AT&T, which acquired the interest as part of its purchase of McCaw Cellular Communications in 1994. AT&T had announced last December that it was considering selling its stake, generating bid speculation that had driven up Lin's share price.

Lin's shares were down $1$\frac{13}{16}$ at $46$\frac{11}{16}$ in early trading yesterday.

Lin's eight owned-and-operated television stations comprise its flagship KXAS station, an NBC affiliate in Dallas-Forth Worth, plus stations in Indianapolis, New Haven-Hartford, Buffalo, Norfolk-Portsmouth, Austin, Decatur and Fort Wayne.

The company also operates four other stations under local marketing agreements; and as part of the deal, Hicks Muse is buying another television station owned by AT&T in Grand Rapids, Michigan, for $122.5m.

Hicks Muse said it planned to use Lin as a platform "from which to execute the buy-and-build strategy Hicks Muse has successfully employed over the past several years in radio broadcasting and other industries".

# Netscape launches 'push' software

By Louise Kehoe

Internet users will this week be able to tune in for the first time to more than 700 new information and entertainment "channels" delivered by Netscape Communications' much anticipated Netcaster "push" software.

Netscape beat rival Microsoft to the punch by launching yesterday its new Netcaster software as part of a new version of Netscape Communicator, its latest internet browser program. Microsoft is expected to introduce its version of "push" software within a few weeks.

So-called push technology automatically delivers selected channels to personal computers at predetermined intervals. The software also includes a "channel finder" which is likely to become important as the number of channels expands.

Netscape has reached co-marketing agreements with several leading publishing groups whose channels will get "premier" billing. These include a business news channel, called Fast Company, ABC News, CNN Financial and Travelocity. Premier channels aimed at home PC users include those from Disney, CBS Sports and Yahoo!.

# Applied beats expectations

By Louise Kehoe in San Francisco

Shares in Applied Materials, the world leader in semiconductor production equipment, jumped 8 per cent yesterday on higher than expected third-quarter earnings.

The company also reported strong order activity, signalling a resurgence in chip production.

Net income for the quarter ended July 27, excluding special items, was $145.2m, or 77 cents a share. This was well above Wall Street estimates of about 68 cents a share.

Applied released the figures after the close of trading on Tuesday.

The company's shares were trading at $97⅞ in mid-session yesterday, up $7⅛ from Tuesday's close.

The results reflect increased investment in new semiconductor plants and equipment, after a period of slower growth during which several leading Japanese chip manufacturers scaled back their plans for new memory chip plants.

With prices stabilising and new generations of memory chips on the horizon, investment appears to be increasing.

Applied's revenues for the period were $1.06bn, down 5.2 per cent from $1.12bn a year earlier. However, third-quarter sales were up 17.4 per cent on the second quarter this year.

Net income for the third quarter, including special items, was $186.6m, or 98 cents a share, up from $169.1m, or 92 cents, in the same period last year.

The third-quarter results included an $80m pre-tax gain from settlement of litigation with Novellus Systems, a rival equipment manufacturer.

Applied Materials also wrote off a "bad debt" of $16.3m related to Submicron Technology, a semiconductor venture in Thailand.

New orders of $1.24bn were booked during the quarter, up 22.2 per cent from the second quarter of the current year and 33.1 per cent higher than a year ago.

"We are encouraged by the increase in new orders for advanced semiconductor manufacturing equipment," said Mr James Morgan, chairman and chief executive. Many customers had increased their spending on equipment to produce advanced logic chips and high-capacity memory chips, he said.

In addition, there was a recovery in equipment purchases for chip foundries in the Asia-Pacific region.

For the year to date, Applied reported revenues of $2.8bn, down from $3.3bn in the first nine months of 1996.

Net income for the first three quarters of 1997 was $318.3m, or $1.70 a share, compared with $526.5m, or $2.86.

## COMPANIES AND FINANCE: ASIA-PACIFIC

Australian bank unveils technology tie-up with EDS as net profits slip 4%

# CBA hurt by A$200m charge

By Elizabeth Robinson in Sydney

Commonwealth Bank of Australia, the country's largest mortgage lender, reported a 4 per cent fall in annual net profit to A$1.08bn (US$797m) following a A$200m charge against the value of its computer and communication technology.

CBA, which was fully privatised last year, also announced a ten-year technology partnership worth A$5bn with Electronic Data Systems, the US information services company, reflecting the growing importance of electronic banking.

Profit before abnormals rose 8 per cent to A$1.2bn on increased lending volumes and higher financial services income.

Lending volumes rose 16 per cent in the year to A$83.8bn, while deposits grew 9 per cent to A$77.8bn. CBA said it now held 18.8 per cent of the Australian mortgage market after initiating a price war.

Although margins were squeezed, Mr David Murray, managing director, was confident the move would "contribute to a more competitive bank in the longer run". The current year would be testing, but he anticipated further income growth from financial services and investment banking.

Analysts welcomed the results, saying the bank was moving in the right direction and holding its lead in the home-loan market.

Mr Andy Hogendijk, CBA's chief financial officer, said the bank was testing the market for securitising home loans with the issue of a nominal amount in October.

He added that the branch network had been trimmed by 4 per cent last year and cuts would continue as electronic banking took a greater hold. The share of transactions conducted electronically, as against those made over the counter, rose from 66 per cent to 70 per cent over the year.

The alliance between CBA and EDS will involve CBA taking a 35 per cent stake in EDS's Australian subsidiary. For CBA, the 10-year tie-up is expected to cut costs, improve productivity and accelerate the launch of new products.

Mr Hogendijk said CBA expected information technology to play an increasing role in banking and "we look forward to sharing in the growth of that industry".

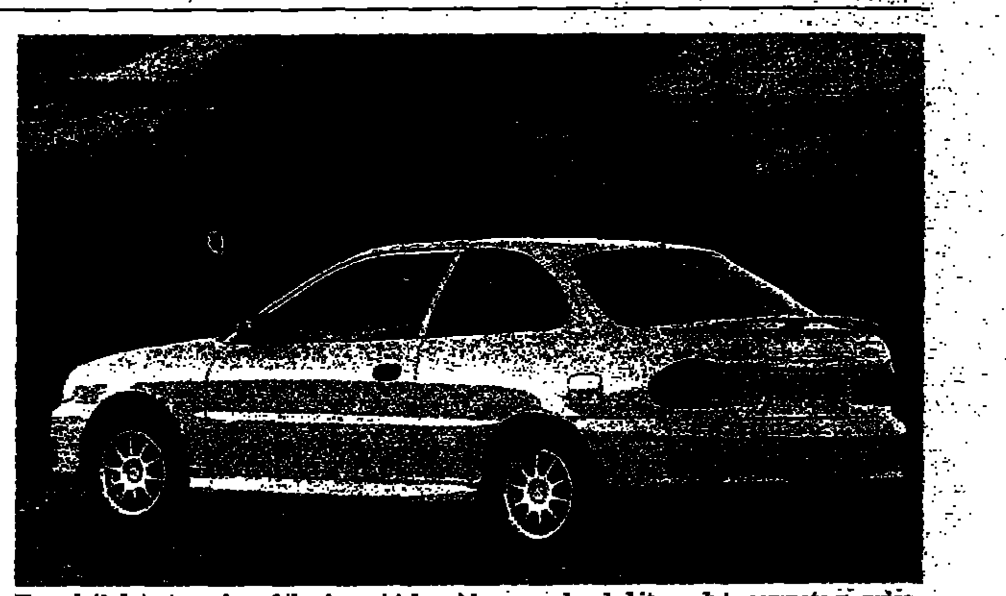
CBA, he added, was seeking to expand in the Asia-Pacific region, adding to its operations in New Zealand and Indonesia.

He did not feel threatened by the government-commissioned Wallis report issued earlier this year. This recommended opening the door to foreign takeovers of Australian banks. Takeovers, he said, might lead to greater efficiency and "if you can become more efficient you can give better shareholder value."

The company is planning a A$650m share buy-back, following its A$1bn repurchase last year. The move will be confirmed in November and is expected to increase earnings per share by about 2 per cent in 1998.

A final dividend of 57 cents is proposed, lifting the total from 90 cents to 102 cents.

# Net earnings tumble 45% at Hyundai



Hyundai's latest version of the Accent (above) has spearheaded its push to compete on price

By John Burton in Seoul

Hyundai Motor, South Korea's largest carmaker, suffered a 45 per cent drop in net earnings for the first half of 1997 after offering interest-free loans in a bid to boost car sales in a sluggish domestic market.

Earnings fell from Won51.6bn ($58m) a year ago to Won28.2bn as Hyundai matched its competitors in offering price discounts and interest-free financing to reduce its inventory.

Hyundai also blamed the lower earnings on a 20-day strike held by workers to protest against restrictive labour laws passed by the government in January.

Sales declined 3 per cent to Won5,420bn. Domestic sales fell 16 per cent to 311,429 vehicles, although exports grew 6 per cent to 282,560 vehicles. Hyundai accounts for 60 per cent of Korean car exports.

The sharp drop in domestic sales, which are more profitable than exports, resulted from a sluggish economy and market saturation. Sales in the second half are expected to remain slow because of the economic downturn.

Increased competition from second-ranked Daewoo Motors, which recently introduced several new models, reduced Hyundai's market share by 2 percentage points to 43 per cent.

Analysts believe that Hyundai will report 1997 earnings on a par with last year's Won86.8bn. But Hyundai sees profits increasing, because last year's profits were depressed by an extraordinary loss on the closure of a plant in Canada.

Hyundai estimates that sales for 1997 the year will reach Won13,500bn, against Won11,500bn for last year, as a result of new models being introduced in the second half.

Analysts are worried about the financial impact of Hyundai's recent decision to co-manage ailing Kia Steel, a speciality steelmaker for the car industry, by taking an one-third stake in the venture.

Standard & Poor's, the US credit rating agency, last week revised Hyundai's long-term credit outlook from stable to negative because of its involvement with Kia Steel.

S&P said Hyundai's capital spending was high and that its large debt burden was expected to grow despite increasing internal cash flow.

# Shangri-La Asia in HK$1.2bn acquisition

By John Ridding in Hong Kong

Shangri-La Asia, the hotels and property arm of Mr Robert Kuok's business empire, is to pay HK$1.2bn (US$155m) in shares for SLIM, the hotel management and marketing business owned by Mr Kuok.

Yesterday's move came as Shangri-La announced a slip in net profits for the first half of the year, from HK$503m last time to HK$471m. The decline was due to increased tax and interest payments and to start-up costs relating to three new hotels in China.

Mr Liu Tai-fung, chairman of Shangri-La Asia, described the acquisition as "a natural step in the process of growing our business and broadening our reach". He said SLIM's operations would complement the group's activities and provide a steady source of recurring income.

SLIM, which posted pre-tax profits of HK$91.8m last year, manages hotels and resorts principally owned by members of the Kuok group.

Through SLIM, Shangri-La Asia will have 35 hotels under its management. Two more Shangri-La hotels are set to open this year, with three more openings due in 1998.

Under the deal, Shangri-La Asia will issue 135.9m shares at HK$8.83 each. The company said the price was based on the closing level over five trading sessions.

Turnover at Shangri-La Asia climbed from HK$1.4bn to HK$1.64bn in the first half of 1997. Operating profits slipped from HK$350m to HK$343m, while earnings per share fell from 34.07 cents to 29.79 cents.

The dividend is unchanged at 15 cents a share.

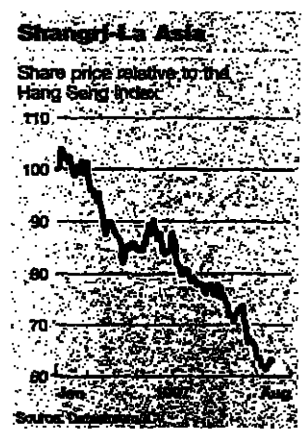
The group's main hotels in Hong Kong experienced a fall in occupancy rates, reflecting a disappointing tourist season so far this year. The Kowloon Shangri-La saw rates fall from 82 per cent to 76 per cent, while the Island Shangri-La slipped 1 percentage point to 79 per cent.

However, the declines were offset by a sharp increase in average room rates. At the Kowloon Shangri-La rates climbed 12 per cent to HK$1,924, compared with a rise of 10 per cent to HK$2,284 at the Island Shangri-La.

The rise in room rates lifted operating profits at the group's Hong Kong hotels by 9 per cent to HK$259m.

In the Philippines, operating profits increased 22 per cent to HK$169m, while the group's two hotels in Fiji trebled profits to HK$18m.

In China, which was affected by weak demand from business travellers, operating profits fell 5 per cent to HK$91m. Operating losses at the group's three new mainland hotels totalled HK$37m.




# Lower prices pull down WMC

By Elizabeth Robinson

Weaker metals prices dented annual profits at WMC, the Australian resources company, which reported a 23 per cent fall in net profit to A$297.2m (US$219m).

Net profit before abnormals was A$228.2m, compared with A$386.2m the year before.

Nickel operations saw a 58 per cent fall in profits to A$130.6m because of lost production at the Kalgoorlie smelter following the collapse of a flash furnace roof.

The incident helped to push up nickel unit costs by 12 per cent, while prices fell more than 12 per cent.

Nickel production, however, reached a record 104,700 tonnes.

The fall in the gold price and the higher Australian dollar left WMC's Australian gold profits 35 per cent lower at A$41.6m. The uncertain outlook for prices caused the company to postpone its A$157m expansion of the St Ives gold operation.

The group sold all its petroleum assets during the year, which led to an abnormal profit of A$224m.

WMC's final dividend is 7 cents, compared with 11 cents last year.



## ASIA-PACIFIC NEWS DIGEST

## STG units may end dual listing

The listed companies of the Singapore Technologies Group are expected to consider merging the local and foreign tranches of their shares, although there are no immediate plans to remove the dual listing.

Last week, one of the group's companies, ST Computer Systems & Services, effectively removed the dual listing of its shares in local and foreign tranches when it raised the limit on foreign shareholdings to 49 per cent, which was larger than its free float. Singapore Technologies said it would "support such moves so long as they are beneficial to all shareholders in the long term, as was the case of ST Computer". ST Automotive and ST Shipbuilding & Engineering said they had no immediate plans to merge their local and foreign shares.

Other companies in the group with dual listings are ST Electronics & Engineering and ST Aerospace. Singapore Technologies companies are involved in defence-related activities and – like other companies in industries such as aviation, banking and publishing – divide their shares into local and foreign tranches to limit foreign ownership.

*AP-DJ, Singapore*

■ ELECTRONICS

## Mixed results from Korea groups

LG Electronics of South Korea reported a 40 per cent increase in net earnings to Won109.6bn ($123m) for the first half of 1997 as sales rose 20 per cent to Won4,400bn. LG said the improved performance reflected increased sales of CD-ROM drives, thin-film transistor-liquid crystal displays, and videocassette recorders.

Meanwhile, Daewoo Electronics reported a fall of 7 per cent in net profit from Won25.3bn a year ago to Won23.5bn, while sales increased 9 per cent to Won1,790bn. Daewoo blamed the decline on foreign exchange losses of Won39.1bn resulting from the weakening of the Korean currency against the US dollar. It also suffered a 4.7 per cent fall in domestic sales of consumer electronics in the first half.

Daewoo predicted that sales would climb 18 per cent to Won4,200bn for the full year, against Won3,570bn in 1996.

*John Burton, Seoul*

■ CHOCOLATE

## Cadbury India down 36% in half

Cadbury India, the Indian chocolate manufacturer 51 per cent owned by Cadbury Schweppes of the UK, saw net profits fall 36 per cent in the first half, from Rs96.4m last time to Rs61.8m ($1.73m). Net sales rose 18.4 per cent to Rs1.53bn during the period, up from Rs1.29bn.

The company's shares closed at Rs346 in Bombay yesterday, down Rs6, or 1.7 per cent, from their previous close.

*AP-DJ, Bombay*

■ CHEMICALS

## Higher prices lift Hanwha

Hanwha Chemical of South Korea lifted net profits in the first six months of this year to Won10.3bn ($11.5m), compared with Won2.57bn a year earlier. The increase was attributed to a recovery in prices of chemical products such as polyvinyl chloride and ethylene on the world markets as a result of fires at overseas chemical plants owned by foreign suppliers.

Prices of PVC rose to an average of about $785 per ton during the January-June period this year, compared with $680 a ton a year earlier.

*AP-DJ, Seoul*

*Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com*

# RBS will pay up to $1bn for Midshires

**By George Graham, Banking Correspondent**

Investors in Birmingham Midshires building society could receive pay-outs averaging up to £850 after Royal Bank of Scotland agreed to buy the society for between £605m and £630m ($1.03bn).

The exact price will depend on Midshires' profits over the next 12 months, and the society will not spell out how it will distribute the money until next March.

Although Midshires claims 1.2m customers, most of the building societies which have converted to banks have found that the membership list drops by a third once they sorted out people with more than one account.

The list is estimated to include about 300,000 carpet-baggers who opened accounts with the society in the last 12 months in the hope of a conversion windfall. Last month the society stopped opening new accounts.

When the deal is completed, probably in September next year, Midshires will be the seventh society to abandon mutual ownership in two years, leaving the entire building society sector barely one third of its previous size.

But the few surviving mutuals yesterday said good riddance to Midshires' decision to sell out.

"The removal of a waverer leaves the building society sector in a much stronger position," said Mr David Anderson, chief executive of Yorkshire Building Society, one of the most committed mutuals.

But many remaining societies are expected to face the same pressures as Midshires, which has been weighing its future for the last 12 months and concluded that it could not survive on its own.

For Royal Bank, Midshires will double the size of its mortgage lending to £12bn and bring it another 115 branches, mostly in the west Midlands and Merseyside where the Scottish bank is less well represented.

However, the deal, valuing the society at 12 times earnings, is in some ways a second best for Mr George Mathewson, Royal Bank chief executive, who has made no secret of his wish to link with Nationwide, now the largest surviving building society.

Preliminary talks were held last year, but Nationwide has decided to stay mutual. If Royal Bank were to make a formal offer for the society, it would almost certainly be outbid by a larger English bank.

Mr Mathewson said yesterday that the Midshires deal did not satisfy Royal Bank's ambitions.

Royal Bank was advised by Robert Fleming & Co. and Midshires by J.P.Morgan.

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# Cuts hit Europe's healthcare sectors

## Roger Taylor on the problems facing medical devices and hospital supplies companies

Pharmaceutical companies have been some of the best performing shares on both the UK and US stock markets in recent months. In contrast, their sadly neglected cousins, the medical devices and hospital supplies companies, have languished.

The reason is simple – healthcare budgets are being cut. In the past, price pressures have been most intense in the US, which has already seen rapid consolidation among companies supplying hospitals.

But the same problem is now coming to Europe, as governments struggle to meet the budget criteria for the single currency. Prices for medical equipment across Europe fell by about 1 per cent over the past year, and the pressure is likely to increase.

Mr Gordon Aylward, director general of the Association of British Healthcare, says the UK industry needs consolidating: "There are 35,000 different products made by thousands of small businesses – 82 per cent of the manufacturers employ fewer than 10 people. There are just not enough medium-sized and large companies."

The picture is the same through most of continental Europe, and the reason is historical. Many medical devices companies are one-product privately-owned businesses set up by a doctor with a bright idea. Pressure to consolidate has been slow because the market is fragmented between thousands of different specific devices. Buying has also been fragmented, with individual hospital departments ordering their own favourites.

That is now changing through a process familiar in the US. Pressure on margins and a drive for administrative efficiency has meant that hospitals will increasingly deal only with the larger companies, which can meet large contracts at the keenest possible prices. The average number of suppliers to any one US hospital is estimated to have fallen from 6,000 to 1,000.

Ms Amy Macdonald, medical technology analyst with Lehman Brothers in New York, said: "There is a tremendous consolidation in hospital supplies and we expect the pace to accelerate. The losers are companies whose product is not in the top three for market share."

The growing pressure on European budgets is already having a similar effect. In the UK, criticism of inefficiency in hospital purchasing has prompted some hospital trusts to say they will cut the number of suppliers by two-thirds.

The lessons for the industry are clear. Mr Chris O'Donnell, chief executive of Smith & Nephew, says his company must respond by expanding and taking market leadership positions where it can. Analysts say it is likely to sell businesses where it cannot achieve this.

SCA Molnlycke, the Swedish healthcare company, has put its disposable surgical equipment division – which accounts for just SKr1.5bn ($195.6m) turnover out of SKr60bn – up for sale and decided to focus on its core areas of incontinence care and sanitary protection.

In the past, consolidation in medical devices has tended to be driven by pharmaceutical and engineering companies rather than by the few specialised healthcare groups. Many of the large pharmaceutical groups have medical devices subsidiaries, as do some diversified industrial groups such as 3M and Smiths Industries.

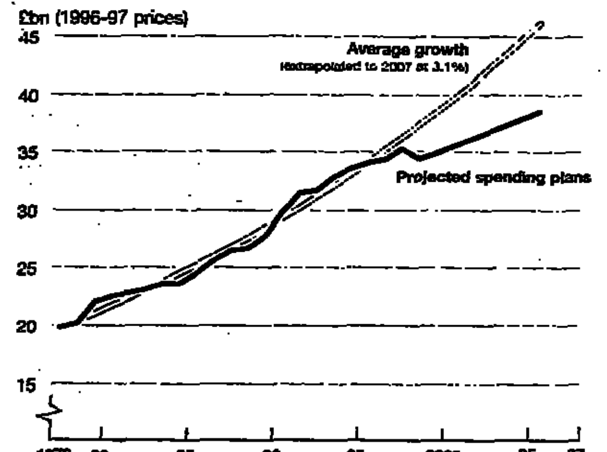
Some remain committed to the market. However, more and more companies are taking the view that healthcare is a specialised business and should stand alone.

The trend can be traced back to 1994 when Eli Lilly, the pharmaceutical group, spun off Guidant, which manufactures pacemakers. Last year, Boehringer Mannheim, the German diagnostics company floated part of DePuy, the orthopaedics business, in the US although the takeover of Boehringer by Roche has put DePuy's future in question again.

More recently, Sulzer, the Swiss engineering group, has floated 25 per cent of its medical division for SFr700m ($474m). BOC, the UK industrial gases group, has also put its healthcare business up for sale.

Companies such as Sulzer Medica and Smith & Nephew could form the core of a growing European medical technology sector. But they have a long way to go before being able to match the US giants such as Johnson & Johnson, Baxter International, Medtronic and Boston Scientific.

**Potential shortfall in NHS spending**




Source: IFS

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Airtours | 9 mths to June 30 | 1,393 | (1,095) | 11.4 | (3.58L) | 4.66† | (4.07L) | - | - | - | - | 16 |
| BICC | 6 mths to June 28 | 2,220 | (2,374) | 55 | (2L♠) | 4.6† | (10.3L) | 4 | Jan 2 | 4 | - | 12.5 |
| Energy Group | 3 mths to June 30 | 1,033⁑ | (0.889) | 56♠ | (-) | 14.1L‡ | (-) | - | - | - | - | - |
| Flying Flowers | 6 mths to July 4 | 23.7 | (15.4) | 3.37 | (1.64) | 11.33† | (8.15) | 2.45 | Oct 24 | 1.36 | - | 3.536 |
| Games Workshop | Yr to June 1 | 58.4 | (44.9) | 11.1 | (8.87) | 22.6 | (18.2) | 5.8 | Oct 31 | 4.8 | 8.4 | 6.8 |
| Ind Insurance | 6 mths to June 30 | 269.9□ | (232.7□) | 25.9 | (17) | 39.3 | (25.4) | 6.25 | Oct 31 | 5.3 | - | 13.25 |
| Millennium C'thorne | 6 mths to June 30 | 95.3 | (71) | 19.9 | (13) | 10.3† | (9) | 2.8 | Oct 1 | 0.7 | - | 4.7 |
| Ockham | 6 mths to June 30 | 19.1 | (41.2) | 7.4 | (11.4♠) | 9.8 | (15.9) | 1.5 | Nov 11 | 1 | - | 4 |
| Rea Brothers | 6 mths to June 30 | - | (-) | 1.41 | (1) | 1.96 | (1.62) | 0.6⚘ | Oct 1 | 0.5 | - | 1 |
| Reed Executive | 6 mths to June 29 | 107.4 | (87.6) | 6.69 | (5.56) | 8.5 | (6.8) | 1.5 | Sept 24 | 1.3 | - | 2.6 |
| Rosebys | 6 mths to June 28 | 80.4 | (46.1) | 3.18 | (1.51) | 6.2† | (4) | 3.1 | Oct 17 | 2.1 | - | 7.8 |
| Seet | Yr to Apr 30 | 7.06 | (5.06) | 0.094L♠ | (0.12♥) | 2.46L | (1.13) | - | - | - | - | - |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Consol | 6 mths to June 30 | 244.6 | (250) | 2 | (1.88) | 5.53 | (5.2) | 4.25 | Sept 26 | 3.9 | - | 10.1 |
| Life Offices Opps | 6 mths to June 30 | 103.59 | (48.08) | 0.234 | (0.004) | 0.53 | (0.02) | - | - | - | - | - |
| NatWest Smaller | Yr to June 30 | 178.74 | (168.19) | 1.66 | (1.84) | 3.51 | (3.9) | 2 | Sept 30 | 2 | 3.125 | 3.125 |

*Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ⁑Comparatives pro forma. ‡After estimated windfall tax of £112m. □Gross premiums written. ⚘Foreign income dividend. ΦAim stock.*

NEWS DIGEST

## Airtours attacks MMC finding

Airtours yesterday attacked last week's provisional finding by the Monopolies and Mergers Commission that travel groups engage in anti-competitive behaviour. In his first response to the finding, Mr David Crossland, chairman of the UK's second-largest package holiday company, said ownership links between travel agents and tour operators, far from being anti-competitive, created greater competition.

The MMC is investigating whether the ownership links lead to anti-competitive behaviour after an Office of Fair Trading referral last year. It is in the final stages of preparing a report due in November.

The remarks came as Airtours announced a 24 per cent rise in third-quarter pre-tax profits to £24.1m ($39.3m) in the three months to June 30. The shares, however, closed down 34p at £11.95 after Mr Crossland warned that the pound's strength would hit its overseas businesses, which account for half of sales. *Scheherazade Daneshkhu*

## European problems hit BICC

Difficult trading conditions in Italy and Germany were behind a 13 per cent fall in underlying pre-tax profits at BICC, the cables and construction group, to £55m in the six months to June 28. Although the company had warned of the problems in May, the downbeat trading statement which accompanied the results disappointed some analysts and investors. The shares fell 7¼p to 162½p, their lowest level for 12 years.

Operating profits in the cable division fell 45 per cent to £28m. The German operations, which have been heavily restructured, suffered a decline in prices. The Australasian cables business, Metal Manufactures, suffered a 30 per cent drop in profits to £14m.

## St James Beach Hotels sold

Mr Ray Horney has sold St James Beach Hotels to a Credit Suisse vehicle for £46.4m, creating his second fortune in 12 years. Mr Horney – who made £21m when his Rayford Supreme electrical retail group was sold in 1985 – is to take £28m for the sale of the 58.7 per cent stake he holds with his wife.

St James Beach Hotels, which owns four hotels on Barbados, has been bought by Elegant Hotels, a new company 91 per cent owned by CS Structured Credit Fund. The cash offer of 200p a share represents a premium of 5 per cent to Tuesday's close of 190p.

## Energy beats City forecasts

Energy Group, the demerged Hanson energy company, yesterday reported slightly better than expected maiden first-quarter results with pre-tax profits of £56m. Analysts said the Peabody Coal operations had exceed expectations with operating profits of £66m.

Energy Group was recently subject to a £3.65bn bid from Oregon-based PacifiCorp. This lapsed after referral to the MMC. Energy said the abortive bid had cost it £7m.

## Eurotunnel turnover down

Eurotunnel reported a 25 per cent drop in first-half turnover from £223.6m to £168.8m because of the interruption of services following the fire in the Channel tunnel last November. The results do not include insurance receipts for the fire and disruption. These were £28.9m in the first quarter and £23.5m in the second.

## INTERNATIONAL CAPITAL MARKETS

# Rumours of Emu delay hit Europe

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

European bond markets ended a volatile day well down on their overnight levels in spite of a strong start. The declines began after US Treasuries gave up strong early gains as attention again switched to events on the currency markets and concern over interest rates.

Analysts said reports, which many dismissed as unrealistic, that Germany and France might agree to delay European monetary union by two years in return for Britain's joining at the start were also behind the choppy trading, especially in Emu-sensitive Italian bonds.

"Clearly they [politicians] are trying to cut some kind of deal to take the UK in at a definite point but I don't see them delaying Emu," one bond market analyst said.

"From the UK's point of view it would be better to wait and see if Emu is a success for a couple of years before joining," an economist said.

US TREASURIES made a surprising reversal in morning trading, at first rallying after the release of two low-inflation reports relating to retail sales and producer prices and then losing nearly all their gains on concerns about the falling value of the dollar.

By early afternoon the 30-year Treasury bond had gained $\frac{5}{16}$ to $96\frac{19}{32}$, yielding 6.643 per cent. Shorter term issues also moved slightly higher, with the two-year note up $\frac{1}{8}$ to $99\frac{7}{8}$, yielding 5.925 per cent, and the 10-year note $\frac{5}{16}$ higher at $98\frac{5}{32}$, yielding 6.351 per cent.

"A lot of fear has been entered into the equation here," said Mr Bruce Steinberg, chief economist at Merrill Lynch in New York. Worries that German interest rates could rise sparked morning selling, after the long bond had gained more than one percentage point.

Sending the early morning markets higher were reports on July retail sales and producer prices. Producer prices, including energy and food, fell 0.1 per cent in July, following a 0.1 per cent fall in June. Prices have now fallen for seven months.

"The report confirms that inflation at the wholesale level of production is non-existent," said Ms Marilyn Schaja, economist at Donaldson, Lufkin, & Jenrette in New York.

Retail sales also helped to calm inflation fears among bond investors. Sales for July were reported 0.6 per cent higher, after an upwardly revised 0.7 per cent rise for June.

ITALIAN BTPs plunged on the speculation about a delay to Emu. Analysts said a postponement to secure the UK's early entry would allow the Italian government to loosen its policy of fiscal restraint and lessen the bond market's attraction as a convergence play.

Ms Sharda Persaud, Emu economist at Paribas, said the Italian bond market "tends to react negatively to any suggestion that Emu might be delayed," a scenario she said was unlikely. The September futures contract dropped 97 basis points to 135.23, while the spread of BTPs over German bunds stood at 101 in late trading.

The speculation also hit SPANISH BONOS, with the September futures contract dropping 64 points to 116.45. However, both markets were also subdued by fears that the Bundesbank might be inclined to raise interest rates after it warned about signs of emerging inflation in Germany.

GERMAN BUNDS initially shrugged off the fears and continued to take heart from the Bundesbank's decision earlier in the week not to introduce a variable rate repo.

Prices showed little movement until later in the day, when the market gave up almost all of Tuesday's strong gains.

The September futures contract settled 31 points lower at 101.91. Bund price movements are currently closely tied to those of US Treasuries and were dragged lower by the downturn in the US, with the short end underperforming.

UK GILTS also had a choppy session after the publication of domestic data showing another fall in UK unemployment in July and then the US inflation data, as well as the release of the minutes of the July 9–10 meeting of the Bank of England's monetary policy committee.

Prices swung up and down on rapidly changing sentiment towards the data before the September futures contract finally settled down $\frac{13}{32}$ at $114\frac{11}{32}$.

"I have not seen such a rollercoaster session for some time in the gilt market," said Mr Andrew Roberts, gilts analyst at UBS.

FRENCH BONDS also followed bunds lower. The September notional bond futures contract settled down 36 points at 129.26 in Paris.

# Tunisia to tap Yankee bond sector

By Roula Khalaf

Tunisia is planning to tap the US bond markets in a Yankee bond issue of over $250m, marking its first foray into capital markets outside Japan.

According to bankers, the Yankee bonds – dollar-denominated bonds issued in the US by foreign banks or corporations – are expected to be sold by Merrill Lynch and should be marketed before the end of this year.

The issue is aimed at diversifying Tunisia's sources of financing and extending maturities of its debt to as much as 30 years.

The Yankee bonds will follow this week's Y12.5bn 20-year issue of Samurai bonds – the Japanese equivalent of Yankees – which was priced at 135 basis points above Japanese government bonds.

Middle East and North African countries are emerging as new issuers of debt on international markets. Eurobonds have been recently issued by governments or companies in Lebanon, Jordan and Oman. Egypt and Morocco are also planning to tap the market.

Tunisia, North Africa's smallest country, has been a regular bond issuer on the Japanese capital markets, raising a total of Y112.5bn since 1994. The funds are used to finance the budget deficit, which is expected to stand at about 3 per cent of gross domestic product this year. External financing on capital markets has largely replaced bilateral and multilateral credit.

According to a May report by Merrill Lynch, total external debt stands at $11.3bn, accounting for 57 per cent of GDP. The debt service ratio is estimated at 18.7 per cent.

The Tunisian government has annual borrowing needs of about $500m but it hopes to reduce the level of borrowing as foreign direct investment picks up.

Tunisia has been assigned a low investment grade rating. In a recent assessment of Tunisia, Standard & Poor's said its BBB– rating reflected the country's solid public finances, conservative monetary policy and moderate external debt and debt service. Tunisia's annual GDP growth has averaged about 4 per cent between 1990 and 1995 and inflation is in single digits.

The government is projecting a 5.7 per cent growth rate this year, but analysts say growth will depend on the level of rainfall, which affects cereal harvests.

But S&P also noted that Tunisia's credit standing is constrained by a high public debt burden – at about 74 per cent of GDP this year – and the fact that the public sector continues to weigh heavily on the economy, accounting for 40 per cent of GDP value added and 25 per cent of employment.

In spite of the government's stated commitment to privatisation, the programme has moved slowly.

Merrill Lynch says total privatisation receipts reached only $300m at the end of 1996 because the government had sold mainly small to medium-sized enterprises, with little progress made on the transfer of larger state companies to the private sector.

# ICI raises $1.5bn in floating-rate note deal

GOVERNMENT BONDS

By Krishna Guha

A $1.5bn floating-rate note from Imperial Chemicals Industries produced the biggest splash of the day, which also saw a drachma issue by the World Bank and a Yankee bond by Tata Electric, of India.

ICI's $1.5bn deal, in three $500m tranches, equals the record for the biggest issue of floating-rate notes set by Toyota and British Telecom, according to Deutsche Morgan Grenfell, the sole book-runner. "Nobody has done a bigger FRN issue, other than zero-coupon and asset-backed paper," said DMG.

Each of the three tranches, with maturities of 12 months, 15 months and 18 months, bears a coupon of Libor plus 6.25 basis points. The latter two tranches are callable at par after 12 months, and after both 12 and 15 months respectively.

The issue is the keystone of ICI's $4bn EMTN programme – Europe's biggest corporate debt programme – used by ICI to finance its $8bn acquisition in May of Unilever's speciality chemicals business. More than $3bn of debt has been issued in the space of a month.

Proceeds from yesterday's deal will be used to pay back expensive syndicated loans and as bridging finance while ICI awaits the receipt of $3bn from the disposal of its polyester business to DuPont. ICI does not expect to receive full payment for six to nine months. DMG said further disposals were "likely."

DMG added there were "significant cost savings" as a result of offering one big issue rather than several smaller ones. "It is very efficient in terms of management time," it said.

ICI was downgraded by Moody's and Standard & Poor's to Baa1/A– after its restructuring. It has since pledged to improve its credit rating, and opted for short-dated debt in the hope that tighter financing may soon be available.

The same logic underlies the option to call the 15 and 18-month tranches early. "At the short end, the market does not charge a great deal for call options," said DMG. "It gives ICI a degree of flexibility in the event that it achieves a higher rating."

The book-runner said investors expected an upgrade soon. They were prepared to accept "tight" pricing for a Baa1/A– rated issuer. But DMG added there was particular hunger for a large liquid dollar-denominated floating-rate note issue. "Investors are concerned about interest rates," said DMG. "They are staying away from the longer end."

There was a preference for credit risk over fixed-rate market risk. At the same time, many investors were highly liquid, and wanted to retain a yield above Libor.

The bonds have been mainly bought by European financial institutions. However, there was also "strong interest in Asia", including one purchase by an Asian central bank.

TATA ELECTRIC, part of India's large family-controlled Tata group, issued $300m bonds in the US, through a 144a issue in two $150m tranches.

Chase Manhattan, lead manager, said the 10-year tranche was priced to yield 160 basis points over 10-year Treasuries, while the 20-year tranche was priced to yield 198 basis points over the 20-year Treasury. The spreads reflect the narrowing of risk premiums over the past year for blue chip emerging market stocks. Tata's issue follows eurobond issues last month by Reliance Industries and Indian Railways.

### New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Imperial Chemical Inds‡ | 500 | (a) | 99.9875R | Sep 1998 | 0.05R | - | Deutsche Morgan Grenfell |
| Imperial Chemical Inds(a1)‡ | 500 | (a) | 99.96R | Dec 1998 | 0.05R | - | Deutsche Morgan Grenfell |
| Imperial Chemical Inds(a2)‡ | 500 | (a) | 99.94R | Mar 1999 | 0.05R | - | Deutsche Morgan Grenfell |
| Toronto-Dominion Bank‡ | 300 | (b) | 100.02R | Sep 1999 | 0.0625R | - | Salomon Brothers Intl |
| **SWISS FRANCS** | | | | | | | |
| City of Stockholm | 100 | 2.75 | 101.70 | Sep 2002 | 2.00 | - | UBS |
| **DRACHMA** | | | | | | | |
| World Bank | 15bn | (c) | 99.95R | Sep 2002 | 0.20R | - | ABN Amro Hoare Govett |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +6¼bp. a1) Callable in Sep 98 at par. a2) Callable in Sep 98 & Dec 98 at par. b) 3-mth Libor –6¼bp. c) 11¾% to 9/9/98, then 8%

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 10.000 | 10/07 | 122.2801 | –1.420 | 6.91 | 6.41 | 6.81 |
| Austria | | 5.625 | 07/07 | 99.0500 | –0.240 | 5.75 | 5.74 | 5.77 |
| Belgium | | 6.250 | 03/07 | 103.3100 | –0.270 | 5.79 | 5.74 | 5.68 |
| Canada * | | 7.250 | 06/07 | 108.6000 | –0.520 | 6.07 | 5.97 | 6.08 |
| Denmark | | 7.000 | 06/07 | 105.2000 | –0.230 | 6.28 | 6.25 | 6.19 |
| France | BTAN | 4.750 | 03/02 | 99.8121 | –0.180 | 4.79 | 4.79 | 4.50 |
| | OAT | 5.500 | 10/07 | 99.1200 | –0.210 | 5.61 | 5.61 | 5.54 |
| Germany Bund | | 6.000 | 07/07 | 102.1500 | –0.330 | 5.71 | 5.67 | 5.61 |
| Ireland | | 6.000 | 08/06 | 110.2000 | –0.400 | 6.47 | 6.43 | 6.42 |
| Italy | | 6.750 | 02/07 | 100.9000 | –0.750 | 6.82† | 6.58 | 6.53 |
| Japan | No 148 | 5.600 | 06/02 | 119.5296 | –0.010 | 1.40 | 1.46 | 1.55 |
| | No 182 | 3.000 | 09/05 | 106.4743 | +0.040 | 2.13 | 2.16 | 2.26 |
| Netherlands | | 5.750 | 02/07 | 100.7200 | –0.280 | 5.64 | 5.60 | 5.50 |
| Portugal | | 9.500 | 02/06 | 120.4200 | –0.410 | 6.32 | 6.27 | 6.20 |
| Spain | | 7.350 | 03/07 | 106.7800 | –0.650 | 6.37 | 6.32 | 6.26 |
| Sweden | | 8.000 | 08/07 | 110.0147 | –0.540 | 6.60 | 6.55 | 6.47 |
| UK Gilts | | 7.000 | 06/02 | 99-25 | –5/32 | 7.05 | 7.04 | 7.10 |
| | | 7.250 | 12/07 | 101-05 | –12/32 | 7.09 | 7.05 | 7.02 |
| | | 9.000 | 10/08 | 114-12 | –13/32 | 7.11 | 7.07 | 7.05 |
| US Treasury * | | 6.125 | 08/07 | 98-06 | –11/32 | 6.37 | 6.21 | 6.28 |
| | | 6.375 | 08/27 | 106-13 | –20/32 | 5.92 | 6.47 | 6.60 |
| ECU (French Govt) | | 5.500 | 04/07 | 96.7900 | +0.020 | 5.94 | 5.92 | 5.77 |

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | - | Two year | 5.98 |
| Prime rate | 8½ | Two month | - | Three year | 6.13 |
| Broker loan rate | 7¼ | Three month | 5.31 | Five year | 6.23 |
| Fed.funds | 5 11/16 | Six month | 5.43 | 10-year | 6.41 |
| Fed.funds at intervention | - | One year | 5.58 | 30-year | 6.68 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 129.44 | 129.26 | –0.36 | 129.70 | 129.18 | 127,166 | 171,138 |
| Dec | 98.42 | 98.24 | –0.34 | 98.66 | 98.30 | 2,624 | 11,856 |
| Mar | 97.82 | 97.64 | –0.34 | 97.82 | 97.82 | 2 | - |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | CALLS Sep | CALLS Oct | CALLS Dec | PUTS Sep | PUTS Oct | PUTS Dec |
|---|---|---|---|---|---|---|
| 127 | 2.29 | - | - | 0.03 | - | - |
| 128 | 1.37 | - | - | 0.11 | - | - |
| 129 | 0.63 | - | - | 0.37 | - | - |
| 130 | 0.18 | - | - | 0.92 | - | - |
| 131 | 0.04 | - | - | 1.78 | - | - |

Est. vol. total, Calls 17,256 Puts 11,368. Previous day's open int., Calls 89,748 Puts 121,862.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 102.00 | 101.91 | -0.31 | 102.22 | 101.72 | 213407 | 265044 |
| Dec | 101.12 | 101.08 | -0.31 | 101.31 | 101.00 | 1935 | 18512 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | CALLS Sep | CALLS Oct | CALLS Nov | CALLS Dec | PUTS Sep | PUTS Oct | PUTS Nov | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 10150 | 0.60 | 0.54 | 0.77 | 0.94 | 0.19 | 0.96 | 1.19 | 1.36 |
| 10200 | 0.29 | 0.34 | 0.56 | 0.72 | 0.38 | 1.26 | 1.48 | 1.64 |
| 10250 | 0.12 | 0.21 | 0.40 | 0.54 | 0.71 | 1.63 | 1.82 | 1.96 |

Est. vol. total, Calls 15372 Puts 25985. Previous day's open int., Calls 184238 Puts 257804

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 135.90 | 135.23 | -0.97 | 135.93 | 135.07 | 65378 | 104341 |
| Dec | 107.50 | 107.50 | -0.82 | 107.50 | 107.50 | 1 | 5092 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | CALLS Sep | CALLS Dec | PUTS Sep | PUTS Dec |
|---|---|---|---|---|
| 8000 | | 27.50 | | 0 |
| 8050 | | 27.00 | | 0 |
| 8100 | | 26.50 | | 0 |

Est. vol. total, Calls 2810 Puts 4696. Previous day's open int., Calls 104419 Puts 135595

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 116.82 | 116.45 | –0.64 | 116.86 | 116.24 | 95,379 | 82,629 |
| Dec | 100.72 | 100.33 | –0.73 | 100.72 | 100.24 | 554 | 1,617 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 114-15 | 114-11 | -0-13 | 114-31 | 114-06 | 83147 | 169775 |
| Dec | | 113-30 | -0-13 | | | 0 | 9979 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | CALLS Sep | CALLS Oct | CALLS Nov | CALLS Dec | PUTS Sep | PUTS Oct | PUTS Nov | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 114 | 0-43 | 1-01 | 1-21 | 1-38 | 0-21 | 1-05 | 1-25 | 1-42 |
| 115 | 0-15 | 0-38 | 0-58 | 1-08 | 0-57 | 1-42 | 1-62 | 2-12 |
| 116 | 0-04 | 0-21 | 0-37 | 0-50 | 1-46 | 2-25 | 2-41 | 2-54 |

Est. vol. total, Calls 776 Puts 2618. Previous day's open int., Calls 50134 Puts 43671

#### Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.72 | 96.36 | –0.44 | 96.72 | 96.36 | 638 | 5,846 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 112-14 | 113-11 | +0-28 | 113-19 | 111-31 | 348,007 | 524,599 |
| Dec | 112-00 | 112-30 | +0-27 | 113-06 | 111-18 | 6,580 | 58,526 |
| Mar | 111-13 | 111-13 | -0-12 | 112-20 | 111-10 | 713 | 32,022 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 126.43 | | | 126.62 | 126.43 | 1974 | na |
| Dec | 125.78 | | | 125.90 | 125.78 | 889 | na |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

### FTSE Actuaries Govt. Securities — UK Indices

| Price Indices UK Gilts | Wed Aug 13 | Day's change % | Tue Aug 12 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (19) | 119.88 | –0.05 | 119.94 | 2.68 | 8.38 |
| 2 5-15 years (21) | 152.61 | –0.26 | 153.01 | 2.66 | 7.01 |
| 3 Over 15 years (5) | 182.21 | –0.38 | 182.92 | 7.78 | 5.80 |
| 4 Irredeemables (4) | 211.73 | –0.13 | 212.01 | 2.60 | 8.36 |
| 5 All stocks (50) | 147.33 | –0.21 | 147.64 | 3.54 | 6.70 |

| | Low coupon yield Aug 13 | Aug 12 | Yr. ago | Medium coupon yield Aug 13 | Aug 12 | Yr. ago | High coupon yield Aug 13 | Aug 12 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 7.07 | 7.03 | 7.17 | 7.14 | 7.10 | 7.23 | 7.18 | 7.15 | 7.31 |
| 15 yrs | 7.06 | 7.02 | 8.00 | 7.10 | 7.06 | 8.01 | 7.18 | 7.12 | 8.08 |
| 20 yrs | 7.06 | 7.02 | 8.09 | 7.08 | 7.04 | 8.09 | 7.15 | 7.12 | 8.14 |
| Irred.† | 7.15 | 7.12 | 8.12 | | | | | | |

| Index-linked | | | | | | | Inflation 5% Aug 13 | Aug 12 | Yr. ago | Inflation 10% Aug 13 | Aug 12 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 206.66 | -0.04 | 206.76 | 2.24 | 3.03 | Up to 5 yrs | 3.57 | 3.56 | 2.55 | 2.84 | 2.82 | 1.03 |
| 7 Over 5 years (10) | 199.74 | -0.18 | 200.11 | 1.07 | 4.33 | Over 5 yrs | 3.55 | 3.54 | 3.71 | 3.33 | 3.31 | 3.51 |
| 8 All stocks (12) | 199.39 | -0.17 | 199.72 | 1.18 | 4.18 | | | | | | | |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT Fixed Interest Indices

| | Aug 13 | Aug 12 | Aug 11 | Aug 8 | Aug 7 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 96.57 | 96.73 | 96.50 | 96.50 | 97.10 | 93.19 | 97.88 | 93.31 |
| Fixed Interest | 125.75 | 126.39 | 125.22 | 125.30 | 125.83 | 113.43 | 126.68 | 115.32 |

### Gilt Edged Activity Indices

| | Aug 12 | Aug 11 | Aug 8 | Aug 7 | Aug 6 |
|---|---|---|---|---|---|
| Gilt Edged bargains | NA | NA | NA | NA | NA |
| 5-day average | NA | NA | NA | NA | NA |

 * for 1997. Government Securities high since compilation: 127.40 (08/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 13

| | Issued | Bid | Offer | Chg | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 99⅞ | 100⅛ | –⅛ | 6.52 |
| ABN Amro Bank 7¼ 05 | 1000 | 101⅞ | 102⅛ | –⅛ | 7.05 |
| African Dev Bk 7⅜ 23 | 500 | 101½ | 101⅞ | –⅛ | 7.24 |
| Alberta Province 7⅝ 98 | 1000 | 101¼ | 101⅞ | +⅛ | 6.07 |
| Argentina 11⅜ 17 | 2000 | 117½ | 118 | –¼ | 9.82 |
| [illegible] | | | | | |
| Spain 7¼ 03 | 4000 | 110⅛ | 110¼ | –⅛ | 5.10 |
| Volkswagen Intl Fin 7 03 | 1000 | 107⅞ | 108¼ | –⅛ | 5.37 |
| World Bank 5⅞ 03 | 3000 | 103⅞ | 104 | –¼ | 5.18 |
| World Bank 6⅛ 02 | 3000 | 105¼ | 105¾ | –⅛ | 4.94 |
| World Bank 7⅛ 05 | 3000 | 109⅞ | 110 | –¼ | 5.50 |
| [illegible] | | | | | |
| Abbey Natl Treasury 8 03 £ | 1000 | 101⅞ | 102⅛ | –⅛ | 7.58 |
| British Land 8⅞ 23 £ | 150 | 106⅝ | 107 | –⅜ | 8.42 |
| Denmark 6¾ 98 £ | 800 | 99⅜ | 99½ | | 7.39 |
| Depfa Finance 7⅛ 03 £ | 500 | 97⅞ | 98 | –⅛ | 7.55 |
| EIB 8 03 £ | 1000 | 103 | 103⅛ | –⅛ | 7.34 |
| Finland 7 00 £ | 500 | 99¼ | 99⅜ | | 7.26 |
| [illegible] | | | | | |

## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or – | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### Other Fixed Interest

| Notes | Yield (1) | Yield (2) | Price £ | + or – | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

## CURRENCIES AND MONEY

# D-Mark rises on glimmer of inflation

MARKETS REPORT

By Simon Kuper

The D-Mark soared against the dollar and pound yesterday on signs that inflation was picking up in Germany and remaining docile in the US and UK.

The thin summer market created exaggerated moves. The D-Mark climbed 3 pfennigs against the dollar and 4.5 pfennigs against sterling to close in London at DM1.832 and DM2.894 respectively. The pound/dollar rate was barely changed at $1.580. The pound has now lost 19 *pfennigs* against the D-Mark in the last 20 days.

The Bundesbank said in its August monthly report yesterday: "It cannot be overlooked that there has been a stronger rise in consumer prices in the last few months." The bank would "orientate its policy" to maintain price stability. The market took this to mean that Germany would raise interest rates soon. Mr Otmar Issing, the bank's chief economist, suggested recently that an increase might be necessary. Euromark futures contracts fell yesterday, and are pricing in a 25 basis point rise in short-term German rates to 3.25 per cent by September.

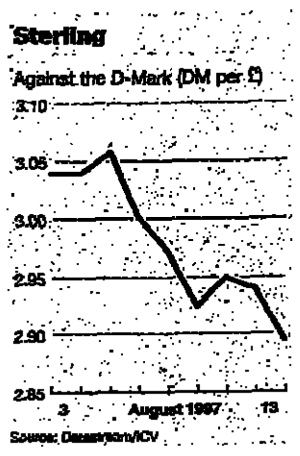
By contrast, the Bank of England said in its quarterly Inflation Report yesterday that the inflation outlook "for the next year or so is favourable". It suggested that the monetary policy committee would leave rates on hold for a while, having raised them four months in a row. The committee thought rates had reached a level "at which it should be possible to pause in order to assess the direction in which the risks (to inflation) are likely to materialise," the Bank said. Even yesterday's fall in the UK jobless rate for July to just 5.5 per cent failed to create much fear of inflation.

Mr Mervyn King, the Bank's designate deputy governor, said the Bank projected that the pound would fall to 90 on its trade weighted index over the next two years. The pound closed at 100.7 on the index yesterday. Many traders think the Bank has recently been talking sterling down.

The pound was also hit by a newspaper report which said Germany and France might delay the start of European monetary union for a year so that the UK could join. The market thinks that if the pound entered the European exchange-rate mechanism it would do so at a central rate of between DM2.50 and DM2.60 to the D-Mark, well below its present level.

■ **Pound in New York**

| Aug 13 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5845 | 1.5790 |
| 1 mth | 1.5824 | 1.5770 |
| 3 mth | 1.5785 | 1.5733 |
| 1 yr | 1.5640 | 1.5588 |



Source: Datastream/ICV

US inflation also emerged tame. July producer prices fell 0.1 per cent from June, although retail sales were strong as forecast.

■ Few believed yesterday's newspaper report of a delay to Emu that would allow the UK to join. The UK Treasury would not "dignify" the story with a response. Yet the report affected the currency market.

Firstly, it reminded traders that Mr Gordon Brown, the chancellor, may one day seek UK entry into the ERM and then Emu.

Secondly, the story appeared to have been leaked by someone in government. Mr Stephen Yorke, deputy head of economic research at SBC Warburg in London, believes the government is starting a whispering campaign to weaken the pound. Any talk of sterling joining the ERM would have that effect, as the pound would undoubtedly join at a conversion rate below its present level. "This story is all about the UK Treasury looking to talk sterling down," Mr Yorke said. Emu would not be delayed for the UK's sake, he added.

■ The dollar fell modestly against the yen after the International Monetary Fund said in its annual report on Japan that the yen's value was broadly right, that Japan should raise interest rates later this year, and that its current account surplus was "not a cause for concern". However, Mr Robin Marshall, chief economist at Chase in London, noted that the IMF's forecasting record for Japan was imperfect.

■ The Philippine central bank cut its overnight borrowing and lending rates by 4 percentage points each, to 14 per cent and 18 per cent respectively. The bank raised interest rates sharply in July to defend the besieged peso. It has been cutting them since as Asia's currency crisis has waned.

■ **OTHER CURRENCIES**

| Aug 13 | £ | $ |
|---|---|---|
| Czech Rp | 53.1923 - 53.2787 | 33.6660 - 33.7100 |
| Hungary | 310.991 - 311.169 | 196.830 - 196.880 |
| Iran | 4741.50 - 4740.00 | 3000.00 - 3000.00 |
| Kuwait | 0.4821 - 0.4825 | 0.3051 - 0.3053 |
| Poland | 5.4937 - 5.5033 | 3.4770 - 3.4820 |
| Russia | 9173.48 - 9177.96 | 5806.00 - 5807.00 |
| U.A.E. | 5.8030 - 5.8052 | 3.6728 - 3.6730 |

## POUND SPOT FORWARD AGAINST THE POUND

| Aug 13 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 20.3683 | -0.3173 | 581 - 745 | 20.7628 | 20.3157 | 20.3119 | 3.2 | 20.1992 | 3.3 | 19.6937 | 3.3 | 101.9 |
| Belgium | (BFr) | 59.7493 | -0.9379 | 082 - 903 | 60.9470 | 59.6430 | 59.5693 | 3.6 | 59.1993 | 3.7 | 57.4493 | 3.8 | 101.4 |
| Denmark | (DKr) | 11.0159 | -0.1774 | 126 - 192 | 11.2392 | 11.0055 | 10.9844 | 3.4 | 10.9204 | 3.5 | 10.6289 | 3.5 | 103.8 |
| Finland | (FM) | 8.6740 | -0.1156 | 687 - 793 | 8.8460 | 8.6530 | 8.6486 | 3.5 | 8.5961 | 3.6 | 8.3835 | 3.3 | 80.8 |
| France | (FFr) | 9.7589 | -0.1533 | 541 - 596 | 9.9365 | 9.7384 | 9.7239 | 4.1 | 9.6659 | 3.7 | 9.3914 | 3.7 | 104.0 |
| Germany | (DM) | 2.8944 | -0.0451 | 933 - 955 | 2.9501 | 2.8868 | 2.8851 | 3.9 | 2.866 | 3.9 | 2.7792 | 4.0 | 102.1 |
| Greece | (Dr) | 455.318 | -4.348 | 166 - 469 | 461.079 | 451.751 | 457.101 | -4.7 | 459.725 | -3.9 | 468.093 | -2.8 | 65.0 |
| Ireland | (I£) | 1.0921 | -0.0116 | 904 - 938 | 1.1044 | 1.0900 | 1.0916 | 0.5 | 1.0902 | 0.7 | 1.0794 | 1.2 | 98.4 |
| Italy | (L) | 2830.23 | -38.82 | 820 - 226 | 2876.76 | 2827.41 | 2830.31 | 0.0 | 2830.28 | 0.0 | 2827.68 | 0.1 | 75.6 |
| Luxembourg | (LFr) | 59.7493 | -0.9379 | 082 - 903 | 60.9470 | 59.6430 | 59.5693 | 3.6 | 59.1993 | 3.7 | 57.4493 | 3.8 | 101.4 |
| Netherlands | (Fl) | 3.2594 | -0.0519 | 581 - 607 | 3.3227 | 3.2526 | 3.2492 | 3.8 | 3.2283 | 3.8 | 3.1323 | 3.9 | 100.8 |
| Norway | (NKr) | 12.0086 | -0.0844 | 044 - 127 | 12.1869 | 11.9425 | 11.9761 | 3.2 | 11.9151 | 3.1 | 11.6461 | 3.0 | 95.1 |
| Portugal | (Es) | 293.389 | -3.979 | 264 - 515 | 298.365 | 292.959 | 293.233 | 0.6 | 292.703 | 0.9 | 288.615 | 1.6 | 92.1 |
| Spain | (Pta) | 244.639 | -3.389 | 537 - 740 | 248.900 | 244.290 | 244.324 | 1.5 | 243.574 | 1.7 | 239.204 | 2.2 | 76.5 |
| Sweden | (SKr) | 12.6107 | -0.03 | 027 - 186 | 12.8975 | 12.5665 | 12.5832 | 2.6 | 12.5247 | 2.7 | 12.2682 | 2.7 | 85.1 |
| Switzerland | (SFr) | 2.3832 | -0.0247 | 820 - 843 | 2.4144 | 2.3781 | 2.3723 | 5.5 | 2.3497 | 5.6 | 2.2494 | 5.6 | 105.3 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 100.7 |
| Ecu | - | 1.4743 | -0.0201 | 733 - 752 | 1.4979 | 1.4711 | 1.471 | 2.7 | 1.4638 | 2.8 | 1.4298 | 3.0 | - |
| SDR† | - | 1.17389 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5800 | +0.002 | 797 - 802 | 1.5849 | 1.5716 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.7160 | +0.0025 | 156 - 164 | 1.7204 | 1.7072 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1998 | +0.001 | 990 - 005 | 2.2098 | 2.1877 | 2.193 | 3.7 | 2.1793 | 3.7 | 2.1284 | 3.2 | 84.4 |
| Mexico | (New Peso) | 12.3055 | +0.0239 | 956 - 153 | 12.3393 | 12.2409 | - | - | - | - | - | - | - |
| USA | ($) | 1.5803 | +0.002 | 800 - 805 | 1.5852 | 1.5719 | 1.5784 | 1.4 | 1.5746 | 1.5 | 1.5606 | 1.2 | 105.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.1258 | -0.0123 | 245 - 268 | 2.1343 | 2.1151 | 2.122 | 2.1 | 2.1136 | 2.3 | 2.0766 | 2.3 | 93.5 |
| Hong Kong | (HK$) | 12.2372 | +0.0148 | 344 - 399 | 12.2758 | 12.1731 | 12.2362 | 0.1 | 12.2297 | 0.2 | 12.1747 | 0.5 | - |
| India | (Rs) | 56.4221 | +0.0768 | 697 - 744 | 56.6310 | 56.1480 | 56.6173 | -4.2 | 57.0179 | -4.2 | 58.6976 | -4.0 | - |
| Israel | (Shk) | 5.5811 | -0.0017 | 723 - 898 | 5.5914 | 5.5547 | - | - | - | - | - | - | - |
| Japan | (Y) | 182.527 | -0.477 | 427 - 627 | 184.900 | 182.080 | 181.507 | 6.7 | 179.482 | 6.7 | 170.497 | 6.6 | 134.6 |
| Malaysia | (M$) | 4.3813 | -0.0001 | 768 - 859 | 4.4134 | 4.3667 | 4.3856 | -1.2 | 4.3936 | -1.1 | 4.4122 | -0.7 | - |
| New Zealand | (NZ$) | 2.4625 | -0.01 | 611 - 638 | 2.4786 | 2.4523 | 2.4657 | -1.6 | 2.4695 | -1.1 | 2.4701 | -0.3 | 107.4 |
| Philippines | (Peso) | 45.2742 | -0.3989 | 300 - 184 | 46.6069 | 45.0300 | 45.434 | -4.2 | 45.6835 | -3.6 | 46.7405 | -3.2 | - |
| Saudi Arabia | (SR) | 5.9269 | +0.0074 | 258 - 280 | 5.9459 | 5.8957 | 5.9234 | 0.7 | 5.915 | 0.8 | 5.8785 | 0.8 | - |
| Singapore | (S$) | 2.3775 | -0.005 | 763 - 787 | 2.4007 | 2.3720 | 2.3729 | 2.3 | 2.3628 | 2.5 | 2.3146 | 2.6 | - |
| South Africa | (R) | 7.3608 | -0.0043 | 573 - 643 | 7.3942 | 7.3321 | 7.4215 | -9.9 | 7.5394 | -9.7 | 7.9764 | -8.4 | - |
| South Korea | (Won) | 1414.32 | +2.53 | 094 - 771 | 1418.28 | 1408.42 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 45.3951 | +0.0584 | 871 - 030 | 45.5349 | 45.2307 | 45.3785 | 0.4 | 45.3387 | 0.5 | 45.141 | 0.6 | - |
| Thailand | (Bt) | 49.7621 | +0.2034 | 594 - 648 | 49.8650 | 49.0730 | 50.0987 | -8.1 | 50.5603 | -6.4 | 51.5905 | -3.7 | - |

† Rates for Aug 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Aug 13 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 12.8881 | -0.2169 | 849 - 912 | 13.1200 | 12.8660 | 12.8641 | 2.2 | 12.8151 | 2.3 | 12.5911 | 2.3 | 101.2 |
| Belgium | (BFr) | 37.8100 | -0.641 | 900 - 300 | 38.5390 | 37.7700 | 37.735 | 2.4 | 37.5835 | 2.4 | 36.89 | 2.4 | 101.0 |
| Denmark | (DKr) | 6.9710 | -0.121 | 700 - 720 | 7.1080 | 6.9699 | 6.9593 | 2.0 | 6.935 | 2.1 | 6.8286 | 2.0 | 102.2 |
| Finland | (FM) | 5.4890 | -0.08 | 865 - 915 | 5.5845 | 5.4795 | 5.4775 | 2.5 | 5.4539 | 2.6 | 5.36 | 2.4 | 79.8 |
| France | (FFr) | 6.1743 | -0.1047 | 735 - 750 | 6.2845 | 6.1662 | 6.1627 | 2.2 | 6.1389 | 2.3 | 6.0301 | 2.3 | 102.7 |
| Germany | (DM) | 1.8316 | -0.0308 | 312 - 320 | 1.8665 | 1.8285 | 1.8277 | 2.5 | 1.8199 | 2.5 | 1.785 | 2.5 | 101.0 |
| Greece | (Dr) | 288.130 | -3.11 | 080 - 180 | 291.860 | 285.920 | 289.425 | -5.4 | 291.48 | -4.7 | 298.63 | -3.6 | 64.7 |
| Ireland | (I£) | 1.4470 | +0.017 | 450 - 490 | 1.4490 | 1.4338 | 1.4463 | 0.6 | 1.4453 | 0.5 | 1.4457 | 0.1 | - |
| Italy | (L) | 1791.00 | -26.81 | 000 - 200 | 1820.00 | 1789.00 | 1792.77 | -1.2 | 1795.76 | -1.1 | 1799.2 | -0.5 | 75.1 |
| Luxembourg | (LFr) | 37.8100 | -0.641 | 900 - 300 | 38.5390 | 37.7700 | 37.735 | 2.4 | 37.5835 | 2.4 | 36.89 | 2.4 | 101.0 |
| Netherlands | (Fl) | 2.0626 | -0.0354 | 621 - 631 | 2.1026 | 2.0598 | 2.0584 | 2.5 | 2.0499 | 2.5 | 2.0121 | 2.4 | 100.2 |
| Norway | (NKr) | 7.5992 | -0.0629 | 977 - 006 | 7.7025 | 7.5753 | 7.5847 | 2.3 | 7.5563 | 2.3 | 7.4446 | 2.0 | 95.5 |
| Portugal | (Es) | 185.660 | -2.75 | 610 - 710 | 188.740 | 185.550 | 185.624 | 0.2 | 185.57 | 0.2 | 184.4 | 0.7 | 92.4 |
| Spain | (Pta) | 154.810 | -2.345 | 770 - 850 | 157.450 | 154.760 | 154.765 | 0.3 | 154.59 | 0.6 | 153.415 | 0.9 | 75.7 |
| Sweden | (SKr) | 7.9802 | -0.0289 | 764 - 839 | 8.0285 | 7.9585 | 7.9711 | 1.4 | 7.9518 | 1.4 | 7.8776 | 1.3 | 85.2 |
| Switzerland | (SFr) | 1.5081 | -0.0176 | 076 - 086 | 1.5275 | 1.5055 | 1.5026 | 4.3 | 1.4921 | 4.2 | 1.4466 | 4.1 | 105.2 |
| UK | (£) | 1.5803 | +0.002 | 800 - 805 | 1.5852 | 1.5719 | 1.5784 | 1.4 | 1.5746 | 1.5 | 1.5606 | 1.2 | 101.5 |
| Ecu | - | 1.0718 | +0.0157 | 714 - 724 | 1.0730 | 1.0559 | 1.0734 | -1.6 | 1.0766 | -1.7 | 1.0921 | -1.9 | - |
| SDR† | - | 0.739754 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9998 | - | 998 - 998 | 0.9998 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0859 | +0.0002 | 858 - 860 | 1.0860 | 1.0855 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3921 | -0.0011 | 918 - 923 | 1.3945 | 1.3890 | 1.3889 | 2.7 | 1.3832 | 2.5 | 1.3626 | 2.1 | 84.4 |
| Mexico | (New Peso) | 7.7870 | +0.0055 | 820 - 920 | 7.7950 | 7.7750 | 7.8955 | -16.7 | 8.1065 | -16.4 | 9.017 | -15.8 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 107.1 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3451 | -0.0095 | 446 - 455 | 1.3464 | 1.3444 | 1.3445 | 0.5 | 1.3427 | 0.7 | 1.3343 | 0.8 | 95.1 |
| Hong Kong | (HK$) | 7.7438 | -0.0002 | 433 - 443 | 7.7447 | 7.7430 | 7.7443 | -0.1 | 7.7452 | -0.1 | 7.7475 | 0.0 | - |
| India | (Rs) | 35.7045 | +0.0045 | 770 - 320 | 35.7400 | 35.6750 | 35.842 | -4.6 | 36.127 | -4.7 | 37.3395 | -4.6 | - |
| Israel | (Shk) | 3.5318 | -0.0054 | 268 - 367 | 3.5398 | 3.5212 | - | - | - | - | - | - | - |
| Japan | (Y) | 115.505 | -0.445 | 460 - 550 | 116.750 | 115.380 | 114.99 | 5.4 | 113.99 | 5.2 | 109.69 | 5.0 | 136.3 |
| Malaysia | (M$) | 2.7725 | -0.0035 | 700 - 750 | 2.7890 | 2.7700 | 2.777 | -1.9 | 2.786 | -1.9 | 2.816 | -1.6 | - |
| New Zealand | (NZ$) | 1.5582 | -0.0083 | 576 - 588 | 1.5636 | 1.5576 | 1.559 | -0.6 | 1.5614 | -0.8 | 1.5715 | -0.9 | - |
| Philippines | (Peso) | 28.6500 | -0.25 | 000 - 000 | 29.6500 | 28.4500 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7506 | - | 505 - 507 | 3.7508 | 3.7505 | 3.7513 | -0.2 | 3.7523 | -0.2 | 3.7569 | -0.2 | - |
| Singapore | (S$) | 1.5045 | -0.005 | 040 - 050 | 1.5175 | 1.5020 | 1.5028 | 1.4 | 1.499 | 1.5 | 1.4795 | 1.7 | - |
| South Africa | (R) | 4.6580 | -0.0085 | 565 - 595 | 4.6710 | 4.6565 | 4.6985 | -10.4 | 4.778 | -10.3 | 5.0805 | -9.1 | - |
| South Korea | (Won) | 895.000 | +0.5 | 000 - 000 | 897.200 | 892.500 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 28.7265 | +0.0015 | 260 - 270 | 28.7280 | 28.7260 | 28.7375 | -0.5 | 28.7465 | -0.3 | 28.839 | -0.4 | - |
| Thailand | (Bt) | 31.4900 | +0.09 | 300 - 500 | 31.6500 | 31.0000 | 31.935 | -17.0 | 32.64 | -14.6 | 33.87 | -7.6 | - |

† SDR rate per $ for Aug 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 12: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| August 13 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3 5/16 | 3 3/8 | 3 7/16 | 3 1/2 | 3 21/32 | 6.00 | 2.50 | - |
| France | 3 7/32 | 3 1/4 | 3 5/16 | 3 1/2 | 3 3/4 | 3.10 | - | 4.75 |
| Germany | 3 1/16 | 3 1/8 | 3 3/16 | 3 5/16 | 3 1/2 | 4.50 | 2.50 | 3.00 |
| Ireland | 6 1/4 | 6 3/8 | 6 1/4 | 6 1/4 | 6 5/8 | - | - | 6.75 |
| Italy | 6 13/16 | 6 7/8 | 6 13/16 | 6 3/4 | 6 3/8 | 7.75 | 6.25 | 6.27 |
| Netherlands | 3 1/8 | 3 1/4 | 3 3/8 | 3 1/2 | 3 5/8 | - | 2.50 | 3.00 |
| Switzerland | 7/8 | 1 1/16 | 1 3/8 | 1 1/2 | 1 3/4 | - | 1.00 | - |
| US | 5 5/8 | 5 21/32 | 5 21/32 | 5 23/32 | 6 1/32 | - | 5.00 | - |
| Japan | 7/16 | 1/2 | 1/2 | 19/32 | 21/32 | - | 0.50 | - |
| ■ **$ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | 5 5/8 | 5 3/4 | 5 7/8 | 6 1/8 | - | - | - |
| US Dollar CDs | - | 5.42 | 5.48 | 5.57 | 5.78 | - | - | - |
| ECU Linked Ds | - | 4 5/8 | 4 5/8 | 4 11/16 | 4 7/8 | - | - | - |
| SDR Linked Ds | - | 3 1/2 | 3 5/8 | 3 11/16 | 3 27/32 | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Aug 13 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3 1/2 - 3 3/8 | 3 7/16 - 3 3/8 | 3 17/32 - 3 13/32 | 3 5/8 - 3 1/2 | 3 23/32 - 3 19/32 | 3 29/32 - 3 25/32 |
| Danish Krone | 3 11/16 - 3 9/16 | 3 9/16 - 3 7/16 | 3 19/32 - 3 15/32 | 3 5/8 - 3 1/2 | 3 13/16 - 3 11/16 | 4 1/16 - 3 15/16 |
| German Mark | 3 1/8 - 2 15/16 | 3 3/32 - 3 1/32 | 3 1/16 - 2 31/32 | 3 3/32 - 3 | 3 13/32 - 3 1/8 | 3 13/32 - 3 5/16 |
| Dutch Guilder | 3 5/16 - 3 1/4 | 3 5/16 - 3 7/32 | 3 3/8 - 3 9/32 | 3 15/32 - 3 11/32 | 3 1/2 - 3 7/16 | 3 11/16 - 3 5/8 |
| French Franc | 3 9/32 - 3 3/16 | 3 5/16 - 3 3/16 | 3 5/16 - 3 3/16 | 3 15/32 - 3 5/16 | 3 15/32 - 3 7/16 | 3 3/4 - 3 5/8 |
| Portuguese Esc. | 5 11/16 - 5 19/32 | 5 11/16 - 5 19/32 | 5 11/16 - 5 21/32 | 5 5/8 - 5 19/32 | 5 15/32 - 5 1/2 | 5 3/8 - 5 11/32 |
| Spanish Peseta | 5 19/32 - 5 1/2 | 5 7/16 - 5 3/8 | 5 3/8 - 5 5/16 | 5 3/8 - 5 11/32 | 5 1/4 - 5 3/16 | 5 9/32 - 5 7/32 |
| Sterling | 7 1/16 - 6 5/8 | 7 1/8 - 7 | 7 1/8 - 7 1/16 | 7 3/16 - 7 1/8 | 7 5/16 - 7 1/4 | 7 15/32 - 7 11/32 |
| Swiss Franc | 1 13/16 - 11/16 | 1 5/16 - 1 7/32 | 1 13/32 - 1 5/16 | 1 1/2 - 1 1/4 | 1 5/8 - 1 1/2 | 1 13/16 - 1 11/16 |
| Canadian Dollar | 3 5/16 - 3 1/8 | 3 3/8 - 3 1/4 | 3 1/2 - 3 1/4 | 3 11/16 - 3 9/16 | 3 15/16 - 3 13/16 | 4 13/32 - 4 5/16 |
| US Dollar | 5 3/4 - 5 5/8 | 5 17/32 - 5 13/32 | 5 5/8 - 5 1/2 | 5 11/16 - 5 5/8 | 5 13/16 - 5 3/4 | 6 1/32 - 5 7/8 |
| Italian Lira | 7 13/32 - 6 13/32 | 6 13/32 - 6 23/32 | 6 13/32 - 6 27/32 | 6 7/8 - 6 3/4 | 6 7/8 - 6 23/32 | 6 21/32 - 6 9/16 |
| Japanese Yen | 1/2 - 13/32 | 15/32 - 1/2 | 17/32 - 7/16 | 9/16 - 15/32 | 5/8 - 17/32 | 11/16 - 19/32 |
| Asian $Sing | 2 - 1 7/8 | 3 1/4 - 3 1/8 | 5 - 4 1/2 | 3 11/16 - 3 9/16 | 3 3/4 - 3 5/8 | 4 - 3 7/8 |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF)Paris Interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.49 | 96.48 | -0.02 | 96.51 | 96.47 | 15,727 | 66,279 |
| Dec | 96.32 | 96.28 | -0.04 | 96.32 | 96.27 | 15,897 | 41,434 |
| Mar | 96.20 | 96.17 | -0.05 | 96.21 | 96.15 | 6,254 | 30,033 |

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.65 | 96.63 | -0.02 | 96.65 | 96.61 | 35510 | 263555 |
| Dec | 96.45 | 96.44 | -0.04 | 96.46 | 96.41 | 81567 | 294778 |
| Mar | 96.32 | 96.31 | -0.05 | 96.34 | 96.26 | 91511 | 283796 |
| Jun | 96.14 | 96.09 | -0.07 | 96.14 | 96.03 | 78171 | 202520 |

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Aug | 96.81 | 96.81 | -0.01 | 96.81 | 96.81 | 200 | 540 |
| Sep | | 96.73 | -0.03 | | | 0 | 348 |
| Oct | | 96.67 | -0.03 | | | 0 | 265 |
| Nov | | 96.64 | -0.03 | | | 0 | 60 |

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 93.20 | 93.20 | -0.02 | 93.22 | 93.16 | 16920 | 102666 |
| Dec | 93.50 | 93.51 | -0.02 | 93.53 | 93.46 | 18986 | 96868 |
| Mar | 93.83 | 93.81 | -0.05 | 93.83 | 93.77 | 6448 | 52811 |
| Jun | 94.10 | 94.07 | -0.06 | 94.10 | 94.03 | 3565 | 42358 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 98.45 | 98.41 | -0.04 | 98.45 | 98.38 | 8135 | 61411 |
| Dec | 98.25 | 98.20 | -0.05 | 98.25 | 98.17 | 6162 | 51412 |
| Mar | 98.08 | 98.07 | -0.04 | 98.08 | 98.04 | 1323 | 25863 |
| Jun | 97.92 | 97.90 | -0.04 | 97.92 | 97.87 | 346 | 7054 |

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | | 99.41 | - | | | 0 | na |
| Dec | | 99.35 | +0.02 | | | 0 | na |
| Mar | | 99.22 | +0.01 | | | 0 | na |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.61 | 95.60 | -0.04 | 95.62 | 95.60 | 915 | 10986 |
| Dec | 95.54 | 95.52 | -0.05 | 95.54 | 95.51 | 605 | 9086 |
| Mar | 95.52 | 95.48 | -0.07 | 95.52 | 95.48 | 93 | 6197 |
| Jun | 95.45 | 95.42 | -0.07 | 95.46 | 95.42 | 754 | 3272 |

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

| Strike Price | CALLS Sep | CALLS Dec | CALLS Mar | PUTS Sep | PUTS Dec | PUTS Mar |
|---|---|---|---|---|---|---|
| 9300 | 0.23 | 0.57 | 0.90 | 0.03 | 0.06 | 0.09 |
| 9325 | 0.06 | 0.37 | 0.70 | 0.11 | 0.11 | 0.14 |
| 9350 | 0.01 | 0.22 | 0.51 | 0.31 | 0.21 | 0.20 |

Est. vol. total, Calls 2240 Puts 2724. Previous day's open int., Calls 132614 Puts 63193

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Aug 13 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.44 | 16.33 | 4.844 | 1.828 | 4737 | 5.455 | 20.10 | 491.0 | 409.4 | 21.11 | 3.989 | 1.674 | 3.682 | 2.645 | 305.5 | 2.467 |
| Denmark | (DKr) | 54.24 | 10 | 8.857 | 2.627 | 0.991 | 2569 | 2.959 | 10.90 | 266.3 | 222.1 | 11.45 | 2.163 | 0.908 | 1.997 | 1.435 | 165.7 | 1.338 |
| France | (FFr) | 61.24 | 11.29 | 10 | 2.967 | 1.119 | 2901 | 3.341 | 12.31 | 300.7 | 250.7 | 12.92 | 2.443 | 1.025 | 2.255 | 1.620 | 187.1 | 1.511 |
| Germany | (DM) | 20.64 | 3.808 | 3.371 | 1 | 0.377 | 977.8 | 1.126 | 4.149 | 101.4 | 84.52 | 4.357 | 0.823 | 0.345 | 0.760 | 0.546 | 63.06 | 0.509 |
| Ireland | (I£) | 54.71 | 10.09 | 8.934 | 2.650 | 1 | 2592 | 2.985 | 11.00 | 268.7 | 224.0 | 11.55 | 2.182 | 0.916 | 2.014 | 1.447 | 167.1 | 1.350 |
| Italy | (L) | 2.111 | 0.389 | 0.345 | 0.102 | 0.039 | 100 | 0.115 | 0.424 | 10.37 | 8.644 | 0.446 | 0.084 | 0.035 | 0.078 | 0.056 | 6.449 | 0.052 |
| Netherlands | (Fl) | 18.33 | 3.380 | 2.993 | 0.888 | 0.335 | 868.3 | 1 | 3.684 | 90.01 | 75.06 | 3.869 | 0.731 | 0.307 | 0.675 | 0.485 | 56.00 | 0.452 |
| Norway | (NKr) | 49.76 | 9.173 | 8.125 | 2.410 | 0.909 | 2357 | 2.714 | 10 | 244.3 | 203.7 | 10.50 | 1.985 | 0.833 | 1.832 | 1.316 | 152.0 | 1.228 |
| Portugal | (Es) | 20.37 | 3.755 | 3.326 | 0.987 | 0.372 | 964.7 | 1.111 | 4.093 | 100 | 83.38 | 4.298 | 0.812 | 0.341 | 0.750 | 0.539 | 62.21 | 0.502 |
| Spain | (Pta) | 24.42 | 4.503 | 3.988 | 1.183 | 0.446 | 1157 | 1.332 | 4.909 | 119.9 | 100 | 5.155 | 0.974 | 0.409 | 0.899 | 0.646 | 74.61 | 0.603 |
| Sweden | (SKr) | 47.38 | 8.735 | 7.737 | 2.295 | 0.866 | 2244 | 2.585 | 9.523 | 232.7 | 194.0 | 10 | 1.890 | 0.793 | 1.744 | 1.253 | 144.7 | 1.169 |
| Switzerland | (SFr) | 25.07 | 4.622 | 4.094 | 1.215 | 0.458 | 1188 | 1.368 | 5.039 | 123.1 | 102.7 | 5.292 | 1 | 0.420 | 0.923 | 0.663 | 76.59 | 0.619 |
| UK | (£) | 59.75 | 11.02 | 9.757 | 2.894 | 1.092 | 2830 | 3.260 | 12.01 | 293.4 | 244.6 | 12.61 | 2.383 | 1 | 2.200 | 1.580 | 182.5 | 1.474 |
| Canada | (C$) | 27.16 | 5.008 | 4.435 | 1.316 | 0.496 | 1287 | 1.482 | 5.459 | 133.4 | 111.2 | 5.733 | 1.083 | 0.455 | 1 | 0.718 | 82.97 | 0.670 |
| USA | ($) | 37.81 | 6.971 | 6.174 | 1.832 | 0.691 | 1791 | 2.063 | 7.599 | 185.7 | 154.8 | 7.980 | 1.508 | 0.633 | 1.392 | 1 | 115.5 | 0.933 |
| Japan | (Y) | 32.73 | 6.035 | 5.345 | 1.586 | 0.598 | 1551 | 1.786 | 6.579 | 160.7 | 134.0 | 6.909 | 1.306 | 0.548 | 1.205 | 0.866 | 100 | 0.808 |
| Ecu | - | 40.53 | 7.472 | 6.618 | 1.963 | 0.741 | 1920 | 2.211 | 8.146 | 199.0 | 165.9 | 8.554 | 1.617 | 0.678 | 1.492 | 1.072 | 123.8 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.5377 | 0.5462 | +0.0088 | 0.5462 | 0.5418 | 20,657 | 115,481 |
| Dec | 0.5410 | 0.5495 | +0.0089 | 0.5495 | 0.5410 | 263 | 3,850 |
| Mar | 0.5507 | 0.5494 | +0.0055 | 0.5507 | 0.5494 | 1 | 1,005 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.8629 | 0.8686 | +0.0063 | 0.8686 | 0.8605 | 14,460 | 70,874 |
| Dec | 0.8768 | 0.8750 | +0.0013 | 0.8790 | 0.8742 | 71 | 2,265 |
| Mar | - | 0.8903 | - | - | - | 15 | 412 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6578 | 0.6638 | +0.0061 | 0.6638 | 0.6570 | 9,332 | 53,273 |
| Dec | 0.6693 | 0.6700 | +0.0054 | 0.6700 | 0.6671 | 430 | 2,351 |
| Mar | - | 0.6745 | +0.0029 | 0.6760 | - | 7 | 1,065 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.5768 | 1.5778 | +0.0024 | 1.5836 | 1.5690 | 8,387 | 52,765 |
| Dec | 1.5680 | 1.5698 | -0.0002 | 1.5730 | 1.5630 | 86 | 1,028 |
| Mar | - | 1.5610 | -0.0032 | 1.5670 | 1.5610 | 1 | 209 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Aug 13 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7 1/4 - 6 1/2 | 7 3/16 - 7 1/16 | 7 1/8 - 7 | 7 1/4 - 7 1/8 | 7 3/8 - 7 1/4 | 7 17/32 - 7 7/16 |
| Sterling CDs | - | - | 7 3/32 - 6 31/32 | 7 7/32 - 7 1/8 | 7 3/16 - 7 1/8 | 7 13/32 - 7 9/32 |
| Treasury Bills | - | - | 6 13/16 - 6 13/16 | 7 - 6 7/8 | - | - |
| Bank Bills | - | - | 7 - 6 15/16 | 7 1/16 - 6 3/4 | 7 3/8 - 7 1/16 | - |
| Local authority deps. | 6 7/8 - 6 5/8 | 6 7/8 - 6 5/8 | 7 3/32 - 7 1/32 | 7 3/16 - 7 1/8 | 7 1/4 - 7 3/16 | 7 7/16 - 7 3/8 |
| Discount Market deps | 6 7/8 - 6 3/4 | 6 7/8 - 6 3/4 | - | - | - | - |

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2 1/2 | 5 1/2 | 5 | 5 | 4 3/4 |

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Aug 8, 6.7800pc. ECGD fixed rate Stlg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 25, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.035pc. Finance House Base Rate 7pc from Aug 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 92.77 | 92.76 | -0.02 | 92.78 | 92.75 | 13884 | 112367 |
| Dec | 92.63 | 92.62 | -0.03 | 92.66 | 92.60 | 26255 | 127504 |
| Mar | 92.62 | 92.59 | -0.04 | 92.64 | 92.58 | 21827 | 98361 |
| Jun | 92.62 | 92.60 | -0.04 | 92.65 | 92.58 | 15791 | 66888 |
| Sep | 92.63 | 92.62 | -0.04 | 92.68 | 92.61 | 9536 | 55119 |

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Sep | CALLS Dec | CALLS Mar | PUTS Sep | PUTS Dec | PUTS Mar |
|---|---|---|---|---|---|---|
| 9275 | 0.05 | 0.07 | 0.11 | 0.04 | 0.20 | 0.27 |
| 9300 | 0 | 0.02 | 0.04 | 0.24 | 0.40 | 0.45 |
| 9325 | 0 | 0 | 0.01 | 0.49 | 0.63 | 0.67 |

Est. vol. total, Calls 8993 Puts 7842. Previous day's open int., Calls 188274 Puts 203705

### EMS EUROPEAN CURRENCY UNIT RATES

| Aug 13 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.796709 | 0.742071 | +0.001669 | -7.09 | 10.70 | 48 |
| Finland | 5.85424 | 5.89751 | -0.00334 | 0.74 | 2.10 | -5 |
| Portugal | 197.398 | 199.686 | -0.192 | 1.16 | 1.67 | -8 |
| Italy | 1906.48 | 1928.98 | +1.35 | 1.18 | 1.65 | -9 |
| Spain | 163.826 | 166.571 | -0.164 | 1.68 | 1.16 | -12 |
| Denmark | 7.34555 | 7.50466 | -0.01781 | 2.17 | 0.67 | -15 |
| Netherlands | 2.16979 | 2.21870 | -0.00627 | 2.25 | 0.58 | -17 |
| Germany | 1.92573 | 1.96940 | -0.00583 | 2.27 | 0.57 | -22 |
| Austria | 13.5485 | 13.8574 | -0.0417 | 2.28 | 0.56 | -17 |
| Belgium | 39.7191 | 40.6703 | -0.1169 | 2.39 | 0.45 | -17 |
| France | 6.45863 | 6.64274 | -0.01243 | 2.85 | 0.00 | -24 |
| NON ERM MEMBERS | | | | | | |
| Greece | 295.269 | 309.590 | +0.819 | 4.85 | -1.91 | - |
| UK | 0.793103 | 0.677820 | +0.009522 | -14.54 | 20.34 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Aug | CALLS Sep | CALLS Oct | PUTS Aug | PUTS Sep | PUTS Oct |
|---|---|---|---|---|---|---|
| 1.570 | 1.18 | 2.23 | 2.78 | 0.28 | 1.51 | 2.27 |
| 1.580 | 0.56 | 1.71 | 2.34 | 0.66 | 2.00 | 2.74 |
| 1.590 | 0.27 | 1.29 | 1.91 | 1.34 | 2.64 | 3.31 |

Previous day's vol., Calls 1,178 Puts 600. Prev. day's open int., Calls 34,926 Puts 38,017

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

| Strike Price | CALLS Aug | CALLS Sep | CALLS Oct | PUTS Aug | PUTS Sep | PUTS Oct |
|---|---|---|---|---|---|---|
| 0.535 | 0.29 | 0.78 | 1.09 | 0.19 | 0.60 | 0.82 |
| 0.540 | 0.11 | 0.54 | 0.84 | 0.47 | 0.86 | 1.07 |
| 0.545 | 0.03 | 0.37 | 0.64 | 0.80 | 1.19 | 1.38 |

Previous day's vol., Calls 1,188 Puts 778. Prev. day's open int., Calls 18,171 Puts 16,994

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.22 | 94.25 | - | 94.27 | 94.21 | 32,802 | 507,898 |
| Dec | 93.99 | 94.08 | -0.04 | 94.11 | 93.96 | 60,256 | 483,259 |
| Mar | 93.89 | 93.99 | - | 94.02 | 93.86 | 68,142 | 336,489 |

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.87 | 94.91 | - | 94.92 | 94.86 | 219 | 7,004 |
| Dec | 94.67 | 94.78 | - | 94.80 | 94.67 | 82 | 2,448 |
| Mar | - | 94.70 | +0.09 | 94.70 | 94.75 | 54 | 698 |

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

| Strike Price | CALLS Aug | CALLS Sep | CALLS Oct | CALLS Dec | PUTS Aug | PUTS Sep | PUTS Oct | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 9625 | 0.38 | 0.39 | 0.23 | 0.27 | 0 | 0.01 | 0.04 | 0.08 |
| 9650 | 0.14 | 0.15 | 0.08 | 0.11 | 0.01 | 0.02 | 0.14 | 0.17 |
| 9675 | 0.01 | 0.01 | 0.02 | 0.02 | 0.13 | 0.13 | 0.33 | 0.33 |
| 9700 | 0 | 0 | 0 | 0.01 | 0.37 | 0.37 | 0.58 | 0.57 |
| 9725 | 0 | 0 | 0 | 0 | 0.62 | 0.62 | 0.81 | 0.81 |

Est. vol. total, Calls 11085 Puts 9717. Previous day's open int., Calls 363786 Puts 284870

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Sep | CALLS Dec | CALLS Mar | PUTS Sep | PUTS Dec | PUTS Mar |
|---|---|---|---|---|---|---|
| 9850 | 0.06 | 0.08 | 0.11 | 0.15 | 0.38 | 0.54 |
| 9875 | 0.01 | 0.03 | 0.05 | 0.35 | 0.58 | 0.73 |

Est. vol. total, Calls 0 Puts 500. Previous day's open int., Calls 3875 Puts 3455

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 7.00 | Duncan Lawrie | 7.00 | Scottish Widows Bank | 7.00 |
| Allied Irish Bank (GB) | 7.00 | Exeter Bank Limited | 8.00 | ●Singer & Friedlander | 7.00 |
| ●Henry Ansbacher | 7.00 | Financial & Gen Bank | 7.50 | ●Smith & Williamson Secs | 7.00 |
| Bank of Baroda | 7.00 | ●Robert Fleming & Co | 7.00 | Sun Banking Corp Ltd | 7.00 |
| Banco Bilbao Vizcaya | 7.00 | ●Guinness Mahon | 6.75 | TSB | 7.00 |
| Bank of Cyprus | 7.00 | Habib Bank AG Zurich | 7.00 | United Bank of Kuwait | 7.00 |
| Bank of Ireland | 7.00 | ●Hambros Bank | 7.00 | Unity Trust Bank Plc | 7.00 |
| Bank of India | 7.00 | Heritable & Gen Inv Bk | 7.00 | Western Trust | 8.50 |
| Bank of Scotland | 7.00 | C. Hoare & Co | 7.00 | Whiteaway Laidlaw | 7.00 |
| Barclays Bank | 7.00 | Hongkong & Shanghai | 7.00 | Yorkshire Bank | 7.00 |
| Brit Bk of Mid East | 7.00 | Investec Bank (UK) Ltd | 7.00 | | |
| ●Brown Shipley & Co Ltd | 7.00 | Julian Hodge Bank | 7.00 | ● Members of London Investment Banking Association | |
| Citibank NA | 7.00 | ●Leopold Joseph & Sons | 7.00 | * In administration | |
| Clydesdale Bank | 7.00 | Lloyds Bank | 7.00 | | |
| The Co-operative Bank | 7.00 | Midland Bank | 7.00 | | |
| Coutts & Co | 7.00 | NatWestminster | 7.00 | | |
| Cyprus Popular Bank | 7.00 | ●Rea Brothers | 7.00 | | |
| | | Royal Bk of Scotland | 7.00 | | |

## COMMODITIES AND AGRICULTURE

# Low water levels hit operations at Ok Tedi

By Elizabeth Robinson in Sydney and Gary Mead in London

The Ok Tedi copper mine in Papua New Guinea has suspended mill operations because dry weather has caused abnormally low water levels in the Fly River, which is crucial for transporting copper concentrate.

Ok Tedi is PNG's largest copper mine, producing around 200,000 tonnes a year, and is in the most isolated western province of the country, accessible only by air or the Fly River.

Mr Vincent Bull, spokesman for Ok Tedi Mining, of which Australia's giant BHP resources group owns 52.6 per cent, said copper ore would continue to be mined and stockpiled until the mill, which extracts copper concentrate, restarts. "If the last dry spell is any indication, this might continue for a few weeks," he said. Canada's Inmet Mining Corporation owns 17.4 per cent of Ok Tedi, and the PNG government the rest.

Rainfall between March and May was 600mm lower than average, and on June 6 BHP issued a warning that there was less likelihood of "the heavy rains that normally fall at this time of year". The low water levels in the Fly River caused the mill at Ok Tedi to be shut for 10 days in May. Recent rainfall has been insufficient to return it to normal levels.

The unusually dry weather has been blamed on the El Niño weather system, which is expected to become more serious towards the end of 1997 and continue into next year. Ok Tedi relies on the Fly River to ship copper concentrate to its export vessel, and to receive supplies of diesel for its mills.

In a typical month about 50,000 tonnes of concentrate are shipped by specially-built shallow draft vessels from the Fly River port of Kiunga to Port Moresby.

Ok Tedi has long-term supply contracts with Norddeutsche Affinerie in Germany, Outokumpu in Finland, the Philippines Associated Smelting and Refining Corporation, LG Metals Corporation of South Korea, Mitsui, and the Japanese Smelter Pool.

The El Niño effect – in which an abnormal temperature rise in the Pacific ocean interacts with the atmosphere to produce widespread drought in the southern hemisphere and heavier rainfall elsewhere – could disrupt 60 per cent of the world's copper output, according to Mr William Adams, analyst with Rudolf Wolff, a trader on the London Metal Exchange.

He said some 46 per cent of nickel and 37 per cent of zinc production could be affected by flooding, landslides and the dilution of pools used for solvent extraction.

Mr Alan Williamson, copper specialist with Bain & Co, echoed Mr Adams worries regarding El Niño, adding that global copper stocks are now down to 3.5 weeks of consumption, which he regards as a critical level.

"There's no shortage of copper concentrate and suspension of operations at Ok Tedi will have no impact on the price of copper. The situation would be much worse if there were any smelter disruption – currently we're in an unusual situation where the copper industry is not experiencing any production problems. But as we go into the fourth quarter it will take only relatively small problems with smelting for the price to shoot up," he added.

# Nickel slides on wave of selling

MARKETS REPORT

By Kenneth Gooding, Robert Corzine and Gary Mead

Nickel yesterday became the latest target of the speculators on the London Metal Exchange. A wave of selling sent the price of nickel for delivery in three months down by 3.5 per cent to $6,495 a tonne, its lowest for 7½ months.

The selling was encouraged by suggestions that demand from nickel's main customers, the stainless steel producers, is weakening. "Basically, the European market is awash with nickel, both primary metal and scrap," said Mr Robin Bhar, analyst at Brandeis (Brokers), part of Pechiney of France.

LME nickel stocks have risen by 3.6 per cent, or 1,968 tonnes, in the past week.

Oil prices were flat as signs of strong demand for transport fuels in the US were offset by the impact of the imminent resumption of Iraqi oil exports.

The price of Brent Blend for September delivery eased for much of the day in trading on London's International Petroleum Exchange, but recovered by early evening to Tuesday's settlement price of $18.85 a barrel.

Coffee futures on the London International Financial Futures Exchange were driven down again, with the September contract closing $10 lower at $1,510, with the lack of roasters in the market being blamed for the contract's continued weakness.

Further bearish news came from Brazil; co-operatives' stocks rose to 1.77m 60-kg bags at the end of July, against 1.08m bags at the end of June.

# Grass repels maize pest

By Alison Maitland

A plant that gives off a powerful smell has been found to prevent devastating pest damage to maize and sorghum crops that are the staple food of millions of Africans.

The molasses grass not only repels stem-boring pests that can destroy up to 80 per cent of a crop, but also attracts parasites that feed on the pests, according to research published in Nature magazine today.

The odorous plant, grown in cereal crops in field trials in Kenya, has cut damage to the crops to about 5 per cent.

The research began from the knowledge that cereal plants damaged by stem-boring caterpillars act in self-defence by giving off chemically produced smells – semiochemicals – attractive to predatory wasps that attack the pests.

But Professor John Pickett, of the Institute of Arable Crops Research at Rothamsted, Hertfordshire, said that for the first time a plant had been found that released the same chemical signals without being damaged.

The molasses grass smells very strong and "rather nice" to humans. "It's like the residue from purifying cane sugar, from which we make rum," he said.

To the predatory wasps, however, it smells like the stem-boring caterpillars into which they like to inject their eggs, producing larvae which eat the pests.

When the wasps discover there are no caterpillars on the grass – because its smell deters the moth pest from laying eggs on it – they fly to adjacent crops and attack any caterpillars still present.

The research was conducted at Rothamsted and the Nairobi-based International Centre of Insect Physiology and Ecology.

To find the grass, scientists planted a herbarium of native, imported, wild and cultivated grasses to see what reaction they triggered in the moths whose caterpillars bore into cereal crop stems. Their attack reduces the flow of nutrients through the cereal plant, causing it to fall over.

"The caterpillars are the main problem of subsistence farmers," said Prof Pickett. "They can lose the whole crop if they've got a bad attack. All small-scale farmers are affected by it and very few have pesticides."

# India acts to stop jute price falling

By Kunal Bose in Calcutta

India will export raw jute in the current season (July to June) to arrest any further fall in prices in the domestic market.

The collapse in jute prices has been triggered by a bumper Indian crop for the second consecutive year. The 1997-98 crop is estimated at 10m bales of 180kg each, compared with 10.2m bales last year.

The Jute Balers Association said that India would be able to sell jute in the world market, in competition with Bangladesh, provided the government sanctioned "an export subsidy as is available for non-traditional jute products".

However, the Jute Corporation of India, a trading organisation owned by the federal government, is confident that the country should be able to sell a "reasonable quantity".

The total world trade in raw jute last year was more than 2m bales and the leading importing countries were China, Pakistan, Brazil, Cuba, Belgium, Russia, the UK and Ivory Coast.

Bangladesh raised its jute export to 2m bales in 1996-97 from 1.2m bales a year earlier. The country will be an aggressive seller in the current season as its crop is estimated at 5m bales, up by 500,000 bales over 1996-97.

But the emergence of China as a big importer of raw jute will help both Bangladesh and India.

"China has drastically cut production of jute and the mills there are now dependent on imported fibre. The Chinese import this year could be around 1m bales. We should principally target China and Pakistan for selling jute," an Indian trade official said.

The low prices of jute will lead to the revival of some of the spinning and weaving capacities lying idle in Europe, Africa and Latin America.

The JBA said that even though India will be exporting jute this year, local mills, which make fine yarns and fabrics for export, will still be importing high quality fibre from Bangladesh. Last year, India imported 240,000 bales from Bangladesh.

The price of TD-4, the Indian benchmark grade of jute, is selling at Rs700 a quintal (100kg), against Rs1,100 a quintal a year ago.

The government is supporting jute prices in all growing centres so that the minimum prices fixed for this season are not breached.

Ashley Ashwood

The emergence of China as a big importer of raw jute will help both India and Bangladesh

## COMMODITIES PRICES

## BASE METALS

### LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1697-99 | 1695-96 |
| Previous | 1712-3 | 1715-6 |
| High/low | | 1715/1688 |
| AM Official | 1694-5 | 1693-3.5 |
| Kerb close | | 1695-95.5 |
| Open int. | 294,140 | |
| Total daily turnover | 87,759 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1475-85 | 1505-10 |
| Previous | 1490-95 | 1515-20 |
| High/low | | 1515/1500 |
| AM Official | 1475-80 | 1500-05 |
| Kerb close | | 1505-10 |
| Open int. | 5,588 | |
| Total daily turnover | 1,255 | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 590.5-91.5 | 606-7 |
| Previous | 582.5-3.5 | 598-9 |
| High/low | | 608/600 |
| AM Official | 584-5 | 601-1.5 |
| Kerb close | | 604-05 |
| Open int. | 36,313 | |
| Total daily turnover | 5,208 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 6485-95 | 6598-602 |
| Previous | 6630-35 | 6739-40 |
| High/low | | 6740/6500 |
| AM Official | 6545-48 | 6658-60 |
| Kerb close | | 6510-30 |
| Open int. | 53,262 | |
| Total daily turnover | 31,614 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 5310-20 | 5360-70 |
| Previous | 5370-80 | 5420-25 |
| High/low | | 5435/5360 |
| AM Official | 5370-71 | 5420-30 |
| Kerb close | | 5405-10 |
| Open int. | | |
| Total daily turnover | | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 1588-91 | 1485-86 |
| Previous | 1628-31 | 1500-01 |
| High/low | 1605/1600 | 1500/1481 |
| AM Official | 1602-5 | 1476-9 |
| Kerb close | | 1485-86 |
| Open int. | 97,001 | |
| Total daily turnover | 42,660 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 2308-10 | 2290-92 |
| Previous | 2278-81 | 2261-2 |
| High/low | 2290 | 2295/2267 |
| AM Official | 2290-91 | 2275-5.5 |
| Kerb close | | 2288-90 |
| Open int. | 140,659 | |
| Total daily turnover | 40,837 | |

■ LME AM Official £/$ rate: 1.5745
LME Closing £/$ rate: 1.5795

Spot: 1.5822 3 mths: 1.5788 6 mths: 1.5713 9 mths: 1.5667

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 105.00 | +0.30 | 106.20 | 104.40 | 185 | 2,277 |
| Sep | 105.15 | +0.30 | 106.60 | 104.25 | 2,837 | 20,891 |
| Oct | 104.65 | +0.30 | 105.30 | 104.90 | 21 | 1,753 |
| Nov | 103.55 | +0.25 | 104.40 | 103.85 | 19 | 1,380 |
| Dec | 103.10 | +0.25 | 104.50 | 102.30 | 732 | 8,643 |
| Jan | 102.65 | +0.20 | 103.30 | 103.30 | 12 | 671 |
| Total | | | | | 4,032 | 43,479 |

## PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 327.90-328.40 | | |
| Opening | 328.50-328.80 | | |
| Morning fix | 328.80 | 207.807 | 500.294 |
| Afternoon fix | 326.20 | 206.586 | 493.867 |
| Day's High | 329.20-329.50 | | |
| Day's Low | 326.00-326.30 | | |
| Previous close | 325.80-326.30 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ..........3.15 6 months ..........3.44
2 months ..........3.27 12 months ..........3.67
3 months ..........3.39

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 283.25 | 446.00 |
| 3 months | 287.65 | 451.20 |
| 6 months | 291.95 | 456.50 |
| 1 year | 300.80 | 467.60 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 319-321 | 202-203 |
| Maple Leaf | - | - |
| New Sovereign | 75-77 | 47-49 |

## Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 326.8 | +0.1 | 328.8 | 327.0 | 342 | 756 |
| Sep | 327.6 | - | - | - | - | 2 |
| Oct | 328.8 | - | 331.0 | 328.0 | 1,684 | 15,775 |
| Dec | 330.7 | -0.1 | 333.2 | 329.7 | 27,281 | 113k |
| Feb | 332.6 | -0.1 | 335.0 | 332.4 | 297 | 12,846 |
| Apr | 334.5 | -0.2 | 336.5 | 336.5 | 313 | 5,323 |
| Total | | | | | 30,589 | 196,685 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 431.1 | -3.9 | 437.5 | 428.0 | 1,019 | 11,866 |
| Jan | 421.6 | -3.9 | 424.0 | 421.0 | 28 | 2,583 |
| Apr | 416.1 | -3.9 | 421.0 | 421.0 | 6 | 414 |
| Total | | | | | 1,049 | 14,863 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 215.85 | -2.15 | 218.00 | 214.40 | 304 | 3,799 |
| Dec | 205.85 | -0.65 | 208.00 | 202.50 | 58 | 1,332 |
| Mar | 199.85 | -0.65 | - | - | 1 | 136 |
| Jun | 198.35 | -0.65 | - | - | - | 107 |
| Total | | | | | 382 | 5,374 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 449.7 | +8.3 | - | - | - | - |
| Sep | 450.7 | +8.2 | 454.5 | 442.0 | 8,274 | 49,889 |
| Dec | 457.3 | +8.3 | 462.0 | 449.0 | 1,964 | 21,385 |
| Jan | 458.9 | +8.3 | - | - | - | 20 |
| Mar | 463.8 | +8.4 | 466.0 | 456.0 | 15 | 10,458 |
| May | 467.8 | +8.4 | 462.0 | 462.0 | 50 | 3,023 |
| Total | | | | | 10,326 | 92,228 |

## ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 19.96 | -0.03 | 20.09 | 19.75 | 34,110 | 75,063 |
| Oct | 20.14 | -0.03 | 20.20 | 19.98 | 22,207 | 75,971 |
| Nov | 20.17 | -0.08 | 20.25 | 20.08 | 4,202 | 40,161 |
| Dec | 20.23 | -0.05 | 20.32 | 20.13 | 4,367 | 49,945 |
| Jan | 20.22 | -0.08 | 20.29 | 20.15 | 1,461 | 29,365 |
| Feb | 20.24 | -0.04 | 20.24 | 20.20 | 895 | 14,641 |
| Total | | | | | 70,865 | 440,088 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 18.82 | -0.03 | 18.82 | 18.62 | 19,166 | 28,855 |
| Oct | 18.93 | - | 18.93 | 18.74 | 20,072 | 70,064 |
| Nov | 18.99 | -0.05 | 19.03 | 18.89 | 1,440 | 15,662 |
| Dec | 19.09 | -0.06 | 19.12 | 19.00 | 528 | 19,267 |
| Jan | 19.12 | -0.06 | 19.16 | 19.05 | 509 | 14,897 |
| Feb | 19.11 | -0.01 | 19.11 | 19.10 | 74 | 6,857 |
| Total | | | | | 44,214 | 168,332 |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 55.25 | +0.15 | 55.45 | 54.75 | 12,710 | 35,753 |
| Oct | 56.10 | +0.14 | 56.20 | 55.65 | 8,597 | 31,374 |
| Nov | 56.90 | +0.14 | 56.90 | 56.50 | 1,273 | 18,103 |
| Dec | 57.60 | +0.04 | 57.75 | 57.25 | 2,096 | 19,899 |
| Jan | 58.10 | -0.01 | 58.30 | 57.90 | 522 | 15,480 |
| Feb | 58.35 | +0.14 | 58.45 | 58.10 | 111 | 8,046 |
| Total | | | | | 25,469 | 147,336 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 169.75 | -1.00 | 170.75 | 169.50 | 4,717 | 25,585 |
| Oct | 172.00 | -0.75 | 172.50 | 171.50 | 1,935 | 12,999 |
| Nov | 173.75 | -0.75 | 174.00 | 173.25 | 956 | 8,578 |
| Dec | 175.00 | -1.00 | 175.25 | 174.75 | 268 | 13,504 |
| Jan | 175.75 | -0.75 | 176.00 | 175.75 | 151 | 8,062 |
| Feb | 175.25 | - | 176.00 | 176.00 | 200 | 5,136 |
| Total | | | | | 7,500 | 80,020 |

■ NATURAL GAS IPE (1,000 therms; pence per therm)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 8.800 | -0.200 | 8.960 | 8.800 | 235 | 470 |
| Oct | 10.650 | -0.100 | 10.650 | 10.650 | 50 | 1,180 |
| Total | | | | | 420 | 5,885 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 2.455 | -0.020 | 2.480 | 2.405 | 31,475 | 44,647 |
| Oct | 2.470 | -0.008 | 2.485 | 2.420 | 12,064 | 34,140 |
| Nov | 2.570 | -0.003 | 2.580 | 2.520 | 2,942 | 15,443 |
| Dec | 2.680 | -0.004 | 2.685 | 2.640 | 3,243 | 18,467 |
| Jan | 2.695 | -0.001 | 2.700 | 2.650 | 3,828 | 18,938 |
| Feb | 2.545 | - | 2.545 | 2.505 | 2,365 | 13,706 |
| Total | | | | | 60,936 | 215,587 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 64.90 | +1.19 | 64.90 | 62.90 | 19,126 | 37,133 |
| Oct | 59.80 | +0.16 | 59.95 | 59.00 | 9,599 | 22,678 |
| Nov | 57.80 | -0.22 | 57.95 | 57.55 | 1,459 | 9,556 |
| Dec | 57.20 | -0.27 | 57.40 | 56.95 | 755 | 9,645 |
| Jan | 57.15 | -0.37 | 57.15 | 57.00 | 315 | 8,830 |
| Feb | 57.25 | - | 57.25 | 57.25 | 316 | 3,509 |
| Total | | | | | 32,285 | 98,867 |

## GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 84.15 | +1.30 | 84.25 | 83.40 | 19 | 193 |
| Nov | 87.15 | +1.30 | 87.65 | 86.00 | 210 | 3,881 |
| Jan | 89.30 | +1.30 | 89.75 | 88.00 | 112 | 2,648 |
| Mar | 91.30 | +1.30 | 91.75 | 90.00 | 91 | 1,761 |
| May | 93.60 | +1.60 | - | - | - | 890 |
| Jul | 95.60 | +1.60 | - | - | 11 | 38 |
| Total | | | | | 432 | 9,411 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 361.25 | +0.25 | 364.00 | 355.50 | 11,149 | 28,929 |
| Dec | 377.75 | +1.25 | 379.50 | 371.00 | 21,537 | 54,121 |
| Mar | 389.00 | +2.50 | 390.00 | 381.50 | 2,084 | 15,464 |
| May | 391.00 | +2.00 | 392.00 | 385.50 | 90 | 1,492 |
| Jul | 385.00 | +3.25 | 385.00 | 378.50 | 631 | 5,186 |
| Dec | 396.00 | +3.00 | - | - | 1 | 2 |
| Total | | | | | 35,491 | 105,215 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 262.25 | +0.50 | 273.00 | 261.75 | 5,910 | 46,775 |
| Dec | 266.50 | +1.25 | 276.50 | 266.00 | 8,752 | 151,249 |
| Mar | 273.75 | -0.50 | 289.00 | 273.00 | 1,787 | 35,472 |
| May | 279.25 | +0.50 | 288.00 | 279.00 | 967 | 8,298 |
| Jul | 281.25 | -0.50 | 291.50 | 281.00 | 869 | 13,889 |
| Sep | 264.50 | -7.00 | 271.50 | 264.00 | 47 | 1,589 |
| Total | | | | | 23,375 | 284,781 |

■ BARLEY LIFFE (100 tonnes; £ per tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 78.25 | +0.25 | - | - | - | 142 |
| Nov | 81.25 | +0.75 | 81.25 | 81.00 | 41 | 997 |
| Jan | 83.25 | +0.75 | 83.50 | 83.00 | 25 | 356 |
| Mar | 85.25 | +0.75 | 85.00 | 85.00 | 5 | 268 |
| May | 86.75 | +0.75 | - | - | - | 19 |
| Total | | | | | 68 | 1,782 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 779.00 | +35.25 | 780.00 | 745.50 | 2,979 | 7,063 |
| Sep | 660.00 | +12.25 | 662.50 | 642.00 | 5,484 | 15,638 |
| Nov | 615.50 | +4.00 | 618.50 | 605.00 | 34,282 | 79,049 |
| Jan | 618.50 | +2.00 | 623.00 | 609.50 | 3,501 | 16,278 |
| Mar | 628.00 | +2.75 | 630.50 | 620.50 | 890 | 5,974 |
| May | 634.00 | +2.50 | 637.00 | 628.00 | 678 | 4,212 |
| Total | | | | | 48,728 | 132,439 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 21.95 | -0.14 | 21.91 | 21.80 | 546 | 840 |
| Sep | 22.03 | -0.16 | 22.10 | 21.88 | 5,017 | 20,543 |
| Oct | 22.22 | -0.14 | 22.28 | 22.06 | 1,719 | 16,386 |
| Dec | 22.50 | -0.12 | 22.57 | 22.35 | 7,568 | 45,781 |
| Jan | 22.72 | -0.09 | 22.75 | 22.58 | 641 | 7,605 |
| Mar | 23.05 | -0.13 | 23.05 | 22.97 | 91 | 4,903 |
| Total | | | | | 15,714 | 100,387 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 255.3 | +4.7 | 255.5 | 250.0 | 3,111 | 8,130 |
| Sep | 227.5 | +5.1 | 227.7 | 221.0 | 9,037 | 23,061 |
| Oct | 208.0 | +3.7 | 208.8 | 203.5 | 2,227 | 15,184 |
| Dec | 201.1 | +1.8 | 203.0 | 198.0 | 9,604 | 40,575 |
| Jan | 197.2 | +1.6 | 199.0 | 195.0 | 1,744 | 6,207 |
| Mar | 194.2 | +1.7 | 195.0 | 192.5 | 468 | 8,288 |
| Total | | | | | 26,398 | 107,914 |

■ POTATOES LIFFE (20 tonnes; £ per tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Nov | 62.0 | - | - | - | - | 8 |
| Mar | 113.0 | -5.0 | - | - | - | - |
| Apr | 129.0 | -5.0 | 139.0 | 127.0 | 129 | 1,282 |
| May | 139.0 | -5.0 | - | - | - | 2 |
| Jun | 149.0 | -5.0 | - | - | - | - |
| Total | | | | | 129 | 1,292 |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 1305 | +25 | 1305 | 1280 | 27 | 758 |
| Sep | 1369 | +24 | 1380 | 1350 | 36 | 549 |
| Oct | 1485 | +30 | 1500 | 1475 | 57 | 1,490 |
| Jan | 1505 | +35 | 1510 | 1485 | 11 | 234 |
| Total | | | | | 131 | 3,041 |

| | Close | Prev |
|---|---|---|
| BFI | 1283 | 1281 |

## PULP AND PAPER

■ PULPEX OMLX ($8: 24 air dry tons)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 543.00 | -2.00 | 543.00 | 543.00 | 10 | 208 |
| Dec | 558.00 | -5.00 | 558.00 | 558.00 | 5 | 126 |
| Total | | | | | | |

FUTURES DATA
All futures data supplied by CMS.

**Minor metals** from Metal Bulletin
$ per lb in warehouse, unless otherwise stated. **Antimony:** 99.65%, $ per tonne, 1,900-1,970 (1,935-2,000). **Bismuth:** min. 99.99%, tonne lots 3.40-3.70 (3.50-3.75). **Cadmium:** min. 99.95%, cents a pound, 48.00-58.00. **Cobalt:** MB free market, min. 99.8%, 22.30-23.20; min. 99.3%, 19.40-20.20 (19.20-20.00). **Mercury:** min. 99.99%, $ per 76 lb flask, 148-158 (150-160). **Molybdenum:** drummed molybdic oxide, 4.35-4.50. **Selenium:** min 99.5%, 1.90-2.90. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) $WO_3$, CIF, 40-45 (45-55). **Vanadium:** min. 98%, CIF, 4.00-4.10. **Uranium:** 9.60 (9.70).

## SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 1026 | -9 | 1029 | 1021 | 336 | 20,578 |
| Dec | 1055 | -10 | 1059 | 1050 | 643 | 42,540 |
| Mar | 1078 | -7 | 1080 | 1074 | 1,128 | 50,174 |
| May | 1094 | -7 | 1096 | 1088 | 168 | 21,978 |
| Jul | 1109 | -7 | 1111 | 1103 | 223 | 7,508 |
| Sep | 1123 | -8 | 1126 | 1124 | 100 | 10,942 |
| Total | | | | | 2,992 | 175,457 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 1498 | +7 | 1505 | 1493 | 6,618 | 10,907 |
| Dec | 1527 | +12 | 1532 | 1520 | 7,682 | 33,974 |
| Mar | 1557 | +13 | 1561 | 1550 | 1,681 | 25,515 |
| May | 1579 | +17 | 1579 | 1577 | 304 | 12,211 |
| Jul | 1599 | +17 | 1592 | 1592 | 171 | 2,260 |
| Sep | 1621 | +18 | - | - | 22 | 3,721 |
| Total | | | | | 16,934 | 101,871 |

■ COCOA (ICCO) (SDR's/tonne)

| Aug 12 | Price | Prev. day |
|---|---|---|
| Daily | 1185.10 | 1176.71 |

■ COFFEE LIFFE (5 tonnes; $/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 1510 | -10 | 1520 | 1485 | 2,116 | 16,919 |
| Nov | 1526 | -11 | 1540 | 1500 | 2,297 | 15,014 |
| Jan | 1510 | -12 | 1522 | 1480 | 892 | 6,933 |
| Mar | 1484 | -11 | 1495 | 1455 | 232 | 1,701 |
| May | 1477 | -11 | 1480 | 1465 | 21 | 217 |
| Jul | 1472 | -11 | 1457 | 1457 | 8 | 28 |
| Total | | | | | 5,580 | 40,829 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 183.10 | -5.10 | 188.50 | 177.50 | 4,829 | 6,982 |
| Dec | 165.50 | -3.00 | 183.50 | 163.00 | 3,143 | 8,027 |
| Mar | 149.30 | -0.65 | 150.50 | 146.00 | 392 | 3,589 |
| May | 144.30 | -0.10 | 145.00 | 140.00 | 69 | 1,123 |
| Jul | 140.00 | +0.60 | 140.00 | 137.40 | 55 | 784 |
| Sep | 136.00 | +1.60 | 136.00 | 136.00 | 16 | 294 |
| Total | | | | | 8,493 | 20,879 |

■ COFFEE (ICO) (US cents/pound)

| Aug 12 | | Prev. day |
|---|---|---|
| Comp. daily | 132.97 | 137.79 |
| 15 day average | 138.54 | 138.25 |

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 322.5 | +0.2 | 323.0 | 322.0 | 1,145 | 14,193 |
| Dec | 319.7 | - | 320.1 | 319.0 | 159 | 6,177 |
| Mar | 322.2 | +0.1 | 322.6 | 321.5 | 316 | 8,001 |
| May | 320.4 | -0.2 | 321.1 | 320.0 | 110 | 1,581 |
| Aug | 318.8 | +0.2 | - | - | - | 914 |
| Oct | 313.6 | +0.4 | 313.5 | 313.5 | 10 | 2,059 |
| Total | | | | | 1,740 | 33,118 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 11.49 | -0.02 | 11.58 | 11.41 | 3,468 | 100k |
| Mar | 11.75 | -0.02 | 11.84 | 11.68 | 2,062 | 59,702 |
| May | 11.73 | -0.02 | 11.82 | 11.70 | 893 | 13,397 |
| Jul | 11.62 | -0.01 | 11.68 | 11.59 | 619 | 7,828 |
| Oct | 11.60 | - | 11.67 | 11.58 | 656 | 4,545 |
| Mar | 11.55 | +0.04 | 11.56 | 11.53 | 60 | 1,009 |
| Total | | | | | 7,703 | 187,064 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 74.84 | +0.05 | 74.87 | 74.45 | 1,514 | 10,280 |
| Dec | 74.89 | +0.11 | 74.95 | 74.50 | 6,862 | 42,283 |
| Mar | 76.17 | +0.02 | 76.19 | 75.82 | 881 | 11,886 |
| May | 76.77 | +0.02 | 76.65 | 76.49 | 570 | 4,053 |
| Jul | 77.20 | +0.90 | 77.38 | 77.15 | 714 | 2,987 |
| Oct | 75.40 | - | 75.50 | 75.50 | 43 | 642 |
| Total | | | | | 10,810 | 78,256 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Sep | 79.25 | -2.05 | 81.20 | 79.25 | 5,663 | 14,918 |
| Nov | 81.10 | -2.00 | 83.25 | 81.00 | 2,440 | 10,668 |
| Jan | 83.80 | -1.60 | 85.40 | 83.55 | 724 | 5,064 |
| Mar | 86.30 | -1.60 | 87.75 | 86.10 | 191 | 3,229 |
| May | 88.80 | -1.60 | 91.50 | 90.85 | 97 | 691 |
| Jul | 91.75 | -1.10 | 92.70 | 92.50 | 121 | 431 |
| Total | | | | | 9,326 | 35,207 |

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

## INDICES

■ Reuters (Base: 18/9/31 = 100)

| Aug 13 | Aug 12 | month ago | year ago |
|---|---|---|---|
| 1903.6 | 1911.0 | 1887.8 | 1942.1 |

■ CRB Futures (Base: 1967 = 100)

| Aug 12 | Aug 11 | month ago | year ago |
|---|---|---|---|
| 243.09 | 243.75 | | |

■ GSCI Spot (Base: 1970 = 100)

| Aug 12 | Aug 11 | month ago | year ago |
|---|---|---|---|
| 194.14 | 194.43 | 182.99 | 201.01 |

LME WAREHOUSE STOCKS (tonnes)

| | | | |
|---|---|---|---|
| Aluminium | +4,100 | to | 625,300 |
| Aluminium alloy | -40 | to | 56,060 |
| Copper | +50 | to | 254,350 |
| Lead | -125 | to | 118,850 |
| Nickel | +690 | to | 56,382 |
| Zinc | -4,475 | to | 394,025 |
| Tin | -95 | to | 11,235 |

## MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 66.275 | +0.55 | 66.525 | 66.000 | 4,305 | 7,844 |
| Oct | 69.650 | +0.3 | 69.975 | 69.475 | 8,969 | 51,956 |
| Dec | 72.325 | +0.55 | 72.350 | 71.700 | 2,150 | 21,269 |
| Feb | 73.775 | +0.475 | 73.800 | 73.300 | 1,052 | 10,951 |
| Apr | 75.150 | +0.375 | 75.150 | 74.725 | 442 | 4,586 |
| Jun | 72.050 | +0.55 | 72.100 | 71.450 | 189 | 2,917 |
| Total | | | | | 17,112 | 99,871 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 79.200 | -0.675 | 79.650 | 79.125 | 1,411 | 5,859 |
| Oct | 71.925 | -0.125 | 72.550 | 71.750 | 4,116 | 16,501 |
| Dec | 68.650 | +0.275 | 68.850 | 68.150 | 646 | 6,170 |
| Feb | 67.625 | +0.45 | 67.725 | 67.000 | 169 | 2,580 |
| Apr | 63.300 | +0.125 | 63.400 | 63.100 | 63 | 1,515 |
| Jun | 66.975 | +0.025 | 67.150 | 66.850 | 15 | 814 |
| Total | | | | | 6,462 | 34,307 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Aug | 84.850 | +2.65 | 84.900 | 81.850 | 291 | 839 |
| Feb | 73.750 | -0.9 | 74.200 | 73.000 | 679 | 3,473 |
| Mar | 73.750 | -0.45 | 74.000 | 72.900 | 16 | 119 |
| May | 73.700 | -0.475 | - | 73.500 | 13 | 25 |
| Jul | 74.950 | - | 74.950 | 74.600 | 1 | 18 |
| Total | | | | | 977 | 4,481 |

## LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Sep | Nov | Sep | Nov |
|---|---|---|---|---|
| 1650 | 59 | 98 | 23 | 56 |
| 1700 | 32 | 73 | 46 | 79 |
| 1750 | 16 | 53 | 79 | 108 |
| ■ COPPER (Grade A) LME | Sep | Nov | Sep | Nov |
| 2200 | 128 | 141 | 12 | 54 |
| 2300 | 60 | 87 | 43 | 99 |
| 2400 | 21 | 50 | 104 | 160 |
| ■ COFFEE LIFFE | Sep | Nov | Sep | Nov |
| 1550 | 20 | 100 | 60 | 124 |
| 1600 | 9 | 81 | 99 | 155 |
| 1650 | 4 | 65 | 144 | 189 |
| ■ COCOA LIFFE | Sep | Dec | Sep | Dec |
| 1000 | 33 | 93 | 7 | 38 |
| 1025 | 18 | 79 | 17 | 49 |
| 1050 | 8 | 66 | 32 | 61 |
| ■ BRENT CRUDE IPE | Sep | Oct | Sep | Oct |
| 1800 | - | - | - | 28 |
| 1850 | - | - | - | - |
| 1900 | - | 49 | - | 69 |

## LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

| | | +or- |
|---|---|---|
| Dubai | $17.62-7.75w | +0.135 |
| Brent Blend (dated) | $18.53-8.55 | -0.030 |
| Brent Blend (Sep) | $18.78-8.80 | +0.040 |
| W.T.I. | $19.91-9.93w | -0.090 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $223-227 | +3 |
| Gas Oil | $170-172 | |
| Heavy Fuel Oil | $91-93 | |
| Naphtha | $193-195 | |
| Jet fuel | $187-188 | -1 |
| Diesel | $174-176 | -0.5 |

■ NATURAL GAS (Pence/therm)

| | | |
|---|---|---|
| Bacton (Sep) | 8.85-8.95 | -0.20 |

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

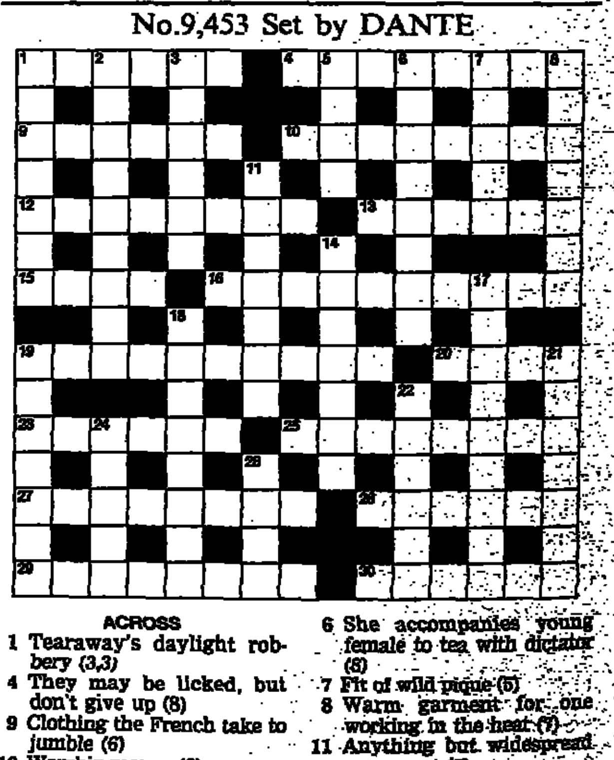
| | | |
|---|---|---|
| Gold (per troy oz)‡ | $328.15 | +2.10 |
| Silver (per troy oz)‡ | 450.00c | +7.00 |
| Platinum (per troy oz.) | $432.00 | -5.00 |
| Palladium (per troy oz.) | $224.00 | -6.00 |
| Copper | 113.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 14.88r | |
| Tin (New York) | 253.5 | -5.0 |
| Cattle (live weight) | 98.16p | +1.15* |
| Sheep (live weight) | 112.73p | +2.43* |
| Pigs (live weight)† | 72.81p | -3.47* |
| Lon. day sugar (raw) | $281.40 | +0.20 |
| Lon. day sugar (wte) | $342.90 | -0.40 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Sep)♥ | 81.75p | |
| Rubber (Oct)♥ | 82.00p | |
| Rubber (KL RSS No1) | 250.0x | +1.0 |
| Coconut Oil (Phil)§ | 570.0y | |
| Palm Oil (Malay.)§ | 500.0z | |
| Copra (Phil)§ | $385.0y | -5 |
| Soyabeans (US) | 210.0 | -2.0 |
| Cotton Outlook'A' index | 81.35c | |
| Wooltops (64s Super) | 415p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Sep. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,369 head of pigs sold

## JOTTER PAD

## CROSSWORD

No.9,453 Set by DANTE



ACROSS

1 Tearaway's daylight robbery (3,3)
4 They may be licked, but don't give up (8)
9 Clothing the French take to jumble (6)
10 Worship money (8)
12 Occasionally switch positions (3,3,2)
13 Order posted by tyrant (6)
15 Quixotic charge (4)
16 He may get one person LBW (4,6)
19 Where drinks are served and drunk (2,4,4)
20 Duck! It's Captain Hook's bosun! (4)
23 Sort of type inclined to be impressive (6)
25 Amused by cunning devices in a plot (8)
27 Dicky, Interpol star (3-5)
28 An unsustained desire (6)
29 Not so enthusiastic about an item of kitchen equipment (8)
30 Astute move for representation (6)

DOWN

1 Weed that can be made to grow in desert (7)
2 A case for the papers (9)
3 Feel in form, like a tiger (8)
5 Wrong, despite being instructed soundly (4)
6 She accompanies young female to tea with dictator (8)
7 Fit of wild pique (5)
8 Warm garment for one working in the heat (7)
11 Anything but widespread agreement (7)
14 Fish and turtle photographer (7)
17 I'll get him prepared for publicity's glare (9)
18 Crime publication not for northern readers? (8)
19 Dot three i's perhaps, many find it silly (7)
21 Doreen's bent back (7)
22 An impressive time of the year (6)
24 Dismay seen when a soft drink is upset (5)
26 Surrender the church keys (4)

Solution 9,452

هكذا من الأصل

# FT MANAGED FUNDS SERVICE



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### BERMUDA (REGULATED)(**)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)(**)



### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

### LUXEMBOURG (SIB RECOGNISED)

## Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

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| | Init Charge | Notes | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **American Phoenix Investment Portfolios (u)** | | | | | | |
| 13 rue Goethe, L-1637 Luxembourg 00 352 404640211 | | | | | | |
| European Multinational Ptflo | | | Ecu25.29 | | -0.33 | - |
| European Multinational Ptflo | | | $28.81 | | -0.2 | - |
| European Multinational Ptflo | | | £17.03 | | — | - |
| European Multinational Ptflo | | | L48503 | | -582 | - |
| European Multinational Ptflo | | | DM49.95 | | -0.70 | - |
| Global Multinational Ptflo | | | Ecu24.13 | | -0.21 | - |
| Global Multinational Ptflo | | | $28.64 | | -0.08 | - |
| Global Multinational Ptflo | | | £18.29 | | +0.08 | - |
| Global Multinational Ptflo | | | L48382 | | -305 | - |
| Global Multinational Ptflo. | | | DM47.38 | | -0.53 | - |
| US Growth Companies | | | $17.80 | | -0.15 | - |
| US Growth Companies | | | £11.30 | | -0.02 | - |
| US Growth Companies | | | L32198 | | -427 | - |
| US Growth Companies | | | DM32.90 | | -0.54 | - |
| US Real Estate Securities | | | $15.73 | | -0.02 | - |
| US Real Estate Securities | | | £9.99 | | +0.05 | - |
| US Real Estate Securities | | | L28451 | | -182 | - |
| US Real Estate Securities | | | DM29.07 | | -0.28 | - |
| **BAII Asset Management Ltd** | | | | | | |
| 10 Piccadilly, London W1V 0EE 0171 734 3700 | | | | | | |
| Intermarket NAV Jul 31 F | | | $991.42 | | +0.10 | - |
| Interportfolio Fund | | | | | | |
| Convertible (US$) Jul 16 | | | $775.54 | | — | - |
| Convertible (FFr) Jul 16 F | | | FF3348.47 | | — | - |
| Comfort (US$) | | 2 | $540.83 | | — | - |
| **Bank Von Ernst & Cie AG** | | | | | | |

| | Init Charge | Notes | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Foreign & Colonial Portfolios Fd Sicav(u)** | | | | | | |
| 33 Boulevard Prince Henri, L-1724 Lux 00 352 2266 211 | | | | | | |
| Asn Smlr Cos Eq F | | | $43.54 | | -0.14 | - |
| Japanese Smlr Cos Eq F | | | Y870.00 | | +4.00 | - |
| European Smlr Cos Eq F | | | Ecu17.71 | | +0.03 | - |
| Emerging Asset Eq F | | | $22.85 | | -0.10 | - |
| Sterling Beta F | | | £19.08 | | | - |
| Sterling Distribution F | | 5 | £9.88 | | +0.03 | - |
| **Frostrumner I (u)** | | | | | | |
| 672 rue de Neudorf, Luxembourg 00 352 43887350 | | | | | | |
| European Equities | | | Ecu175.12 | | — | - |
| Global Bonds | | | DKr780.60 | | — | - |
| Global Bonds | | | DM158.40 | | — | - |
| Sterling Fund | | | £103.21 | | — | - |
| Danish Bonds | | | DKr178.85 | | — | - |
| Swedish Bonds | | 3 | SKr129.08 | | — | - |
| German Bonds | | | DM105.54 | | — | - |
| Dollar Bonds | | 3 | $101.34 | | — | - |
| Scandinavian Equities | | | Ecu289.03 | | — | - |
| Far East Equities | | | $88.99 | | — | - |
| North American Equities | | 5 | $107.62 | | — | - |
| Danish Kroner Reserve | | | DKr111.06 | | — | - |
| Swedish Kronor Reserve | | | SKr116.76 | | — | - |
| German Mark Reserve | | | DM108.23 | | — | - |
| US Dollar Reserve | | 3 | $101.22 | | — | - |
| ECU Reserve | | | Ecu110.90 | | — | - |
| Norwegian Kroner Reserve | | | NKr100.08 | | — | - |
| Danart 2/1998 | | 3 | DM125.85 | | — | - |
| Bonds 2/1998 | | 3 | DM103.03 | | — | - |

| | Init Charge | Notes | Selling Price | Buying Price |
|---|---|---|---|---|
| **Morgan Stanley Sicav - Contd.** | | | | |
| Japanese Equity A | | C | Y1099.09 | |
| Japanese Equity I | | | Y1092.99 | |
| US Equity Gth A | | C | $24.94 | |
| US Equity Gth I | | | $24.99 | |
| Deutschemark Bond A | | C | DM14.26 | |
| Deutschemark Bd B | | C | | |
| Deutschemark Bd I | | | DM14.29 | |
| European Bd A | | C | Ecu18.38 | |
| European Bd B | | C | | |
| European Bd I | | | Ecu19.42 | |
| Global Bond A | | C | $17.89 | |
| Global Bond I | | | $17.93 | |
| Nth American Bd A | | C | $13.40 | |
| Nth American Bd B | | C | | |
| Nth American Bd I | | | $13.43 | |
| US High Yield Bd A | | C | $18.25 | |
| US High Yield Bd B | | C | $18.26 | |
| US High Yield Bd I | | | $18.32 | |
| Real Yield A | | C | $13.69 | |
| Real Yield I | | | $13.72 | |
| International Small Cap A | | C | Ecu13.95 | |
| International Small Cap B | | C | | |
| International SmCap I | | | Ecu13.99 | |
| US Small Cap Equity A | | C | $16.71 | |
| US Small Cap Equity I | | | $16.78 | |
| US Value Equity A | | C | $17.80 | |
| US Value Equity B | | C | $17.80 | |
| US Value Equity I | | | $17.89 | |
| Latin America A | | | $16.42 | |
| Latin America I | | | $16.48 | |

## LUXEMBOURG (REGULATED)(**)

## OFFSHORE INSURANCES

## OTHER OFFSHORE FUNDS

# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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## LONDON SHARE SERVICE

### ALCOHOLIC BEVERAGES

| | Notes | Price | + or – | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | [illegible] | 475½ | +1 | 492 | 407½ | 4,940 | 5.7 | 14.3 |
| Bulmer (HP) | [illegible] | 417½xd | +5½ | 628 | 410 | 229.4 | 4.3 | 11.6 |
| Burn St Dist. | [illegible] | 43½ | – | 101 | 40½ | 25.8 | 9.8 | 10.8 |
| Glenmorangie A | | 982½ | +10 | 1040 | 740 | 130.9 | 1.7 | 23.8 |
| B | | 1075 | – | 1140 | 965 | 43.8 | 0.8 | 53.1 |
| Grand Met | [illegible] | 555xd | –7½ | 631 | 425½ | 12,337 | 3.2 | 18.8 |
| Guinness | [illegible] | 582½ | –5½ | 627 | 454 | 11,938 | 3.5 | 18.6 |
| Highland | [illegible] | 321½ | +1 | 330 | 307½ | 428.9 | 3.3 | 15.1 |
| 5¼pc Cnv Bds | | 88½ | – | 101½ | 86½ | 43.4 | 6.5 | – |
| Kirin Y | | 548½ | –11½ | 733¾ | 468¾ | 5,771 | 1.2 | – |
| Matthew Clark | [illegible] | 238xd | – | 688 | 233 | 210.6 | 12.6 | 7.5 |
| Merrydown | [illegible] | [illegible] | – | 128½ | 52½ | 6.48 | 8.5 | 14.7 |
| Seagram C$ | | 2211/2 | –1¼ | [illegible] | [illegible] | 6,859 | 1.4 | – |

### BANKS, RETAIL

### BREWERIES, PUBS & REST

### BUILDING & CONSTRUCTION

### BUILDING MATS. & MERCHANTS

### CHEMICALS

### CHEMICALS - Cont.

### DISTRIBUTORS

### DIVERSIFIED INDUSTRIALS

### ELECTRICITY

### ELECTRONIC & ELECTRICAL EQPT

### ENGINEERING

### ENGINEERING - Cont.

### ENGINEERING, VEHICLES

### EXTRACTIVE INDUSTRIES

### EXTRACTIVE INDUSTRIES - Cont.

### FOOD PRODUCERS

### GAS DISTRIBUTION

### HEALTH CARE

### HEALTH CARE - Cont.

### HOUSEHOLD GOODS

### INSURANCE

### INVESTMENT TRUSTS

### INVESTMENT TRUSTS - Cont.

### INV TRUSTS SPLIT CAPITAL

# LONDON SHARE SERVICE

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LIFE ASSURANCE

## MEDIA

## MEDIA - Cont.

## OIL, EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS

## PROPERTY

## PROPERTY - Cont.

## RETAILERS, FOOD

## RETAILERS, GENERAL

## RETAILERS, GENERAL - Cont.

## SUPPORT SERVICES

## SUPPORT SERVICES - Cont.

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## TOBACCO

## TRANSPORT

## WATER

## AIM

## AIM - Cont.

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

| | Notes | Price | + or – | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind R | | £27⅞ | ---- | £27⅞ | £20¼ | 2,091 | 2.8 | ф |
| Barlow | ♣† | £7⅞ | --- | £8⅞ | £5⅞ | 1,639 | 1.8 | 16.5 |
| Gold Flds Prop R | † | 197 | +7 | 197 | 132 | 20.1 | 4.5 | 14.9 |
| SA Brews | | £18⅞ | –⅞ | £20⅞ | £13¾ | 5,777 | 2.0 | ф |
| Standard Bank | | £29¼ | –⅞ | £30 | £21 | 3,577 | 1.9 | ф |
| Tiger Oats | † | 1075 | +8 | 1100 | 790 | 1,625 | 1.8 | 20.3 |
| Tongaat-Hulett | | 779 | –1 | 799¾ | 676¼ | 758.5 | 2.5 | ф |



## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- Ψ Rule 2.1(4)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
k Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend.
xc ex scrip issue.
xr ex rights.
xa ex all.
£ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

## LONDON STOCK EXCHANGE

# International trends send Footsie lower

MARKET REPORT

By Philip Coggan, Markets Editor

Traders expecting a sleepy summer's day on the stock market received a rude awakening yesterday as economic statistics, a volatile Wall Street, and a sharp fall in sterling gave investors plenty to think about.

The FTSE 100 index started the day with a 21.8 point loss and that turned out to be the best level of the session. On two occasions, Footsie dropped below 5,000.

Early in the day, the robust state of the UK economy was highlighted when unemployment fell by a bigger than expected 49,800 in July, but the annual rate of average earnings growth remained at 4.25 per cent, indicating the tighter jobs market was not yet leading to wage pressures.

The Bank of England's inflation report was largely as expected but did remind investors that interest rates, rather than reaching the peak for this cycle, had merely paused.

But the main market-moving themes came from overseas. A warning about inflationary trends from the *Bundesbank*, raising fears of a rise in German interest rates, combined with some rumours of a delay in European monetary union, sent the D-Mark higher. Sterling dropped four pfennigs to DM2.89 and has shed 16 pfennigs in a week.

The D-Mark's strength did not help sentiment on Europe's bourses, which were sharply lower yesterday with the Amsterdam market losing more than 4 per cent. There was also considerable anxiety ahead of publication of US figures on producer prices and retail sales.

After what seemed to be an initially favourable reaction to the US data, with the Dow Jones Industrial Average up 76 points early on, Wall Street quickly lost ground, with the Dow slipping to a 75-point loss. That drove Footsie down to its lowest level of the day, off 81 at 4,994.8.

A rebound on Wall Street then took the Dow to a small gain by the time London closed, but that was insufficient to provide much reassurance for Footsie, which ended 72.2 off at 5,003.6.

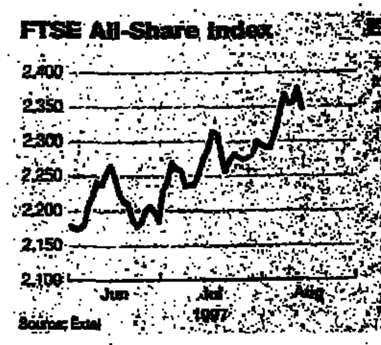
Nervousness about the health of Wall Street has been exacerbated in recent days by the Dow's 156-point drop on Friday and its 101-point decline on Tuesday. "The Dow has tended quickly to recover from its bad days in the past," said Mr Bob Semple, UK strategist at NatWest Securities. "People are nervous and another bad day for the Dow would make them more nervous."

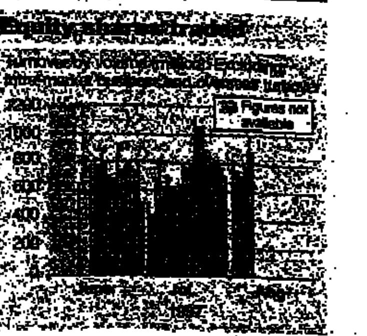
Smaller stocks, no doubt helped by sterling's decline, continued their recent outperformance against the Footsie. The SmallCap index actually rose on the day, gaining 5.5 to 2,234.3, while the FTSE 250 limited its loss to 23.4 points, ending at 4,677.

Mr Philip Isherwood, UK strategist at Dresdner Kleinwort Benson, said that "all the action was in the market leaders. Market-makers were taking a look at the Dow and moving down their prices".

Volume was 791m shares by the 6pm count, of which just over half was in non-Footsie stocks.

### FTSE All-Share Index




### Indices and ratios

| | | |
|---|---|---|
| FTSE 100 | 5003.6 | -72.2 |
| FTSE 250 | 4677.0 | -23.4 |
| FTSE 350 | 2407.6 | -30.4 |
| FTSE All-Share | 2348.96 | -27.43 |
| FTSE All-Share yield | 3.34 | 3.30 |

| | | |
|---|---|---|
| FT 30 | 3185.2 | -41.3 |
| FTSE Non-Fins p/e | 19.89 | 19.95 |
| FTSE100 Fut Sep | 5020.0 | -95.0 |
| 10 yr Gilt yield | 7.15 | 7.10 |
| Long gilt/equity yld ratio | 2.14 | 2.17 |

**Best performing sectors**

1 Textiles & Apparel ....+0.4
2 Diversified Inds ....+0.1
3 Building & Const ....+0.0
4 Health Care ....-0.1
5 Tobacco ....-0.1

**Worst performing sectors**

1 Pharmaceuticals ....-2.6
2 Chemicals ....-2.2
3 Gas Distribution ....-2.1
4 Oil Integrated ....-1.8
5 Consumer Goods ....-1.8

# Trackers buy into Norwich

By Peter John and Stephen Thompson

Norwich Union was London's most actively traded stock as investment funds used the general weakness in equities as an opportunity to pile into demutualised stocks.

The former mutuals are widely held by individual investors. Therefore, fund managers have started from a low base and struggled to acquire stakes relevant to the companies' status in the Footsie, which they need to track.

Norwich led the way with a rise of 13¼ to 334p and turnover of 20m, helped by a reminder that Footsie entry is on the cards for December.

Credit Lyonnais Laing has highlighted the pressure on funds to get a weighting in the insurance sector. There was further support from revived speculation that Halifax might be very interested in taking the insurer under its wing. "A marriage made in heaven," according to one leading marketmaker.

Halifax was also stronger, closing 3½ up at 730½p while Woolwich was marginally firmer at 290½p and Alliance & Leicester outperformed the market, sliding 1 per cent to close 6 off at 603½p.

Royal Bank of Scotland's proposed and well-flagged acquisition of Birmingham Midshires, the building society, was comparatively competitive compared to forecasts.

But the deal was not good enough for the market. Once the details came out, and a big stake sale was announced, the shares were dragged back to end the day 13½ off at 612p.

Analysts said that while the acquisition was not earnings dilutive, precedent suggested it should be earnings enhancing. Furthermore, Midshires may be some 15 to 20 per cent cheaper than either the Woolwich or Alliance & Leicester, but the promise to leave it alone for the medium term wrecked the prospect of cost savings through cut-backs in staff and premises.

But what most niggled the market was a subsequent announcement that Royal Bank was placing 33m shares at 601p each with Scottish Widows, the mutual insurance group.

One analyst said: "The placing was carried out a 4 per cent discount to the share price. It was really just a thinly-disguised rights issue offered to one investor and it has really annoyed existing large holders."

Elsewhere in the banks, Barclays fell 33 to £14.08½. The shares have risen sharply and one of the banking unions said Barclays faces industrial action by staff from August 21.

Zeneca fell 60 to £18.86½. Confidence was not helped by news that the pharmaceuticals group had lost its third high-level executive this year.

News that Mr David U'Pritchard, the research director, had gone to SmithKline Beecham follows last week's news that Mr John Mayo, the finance director, was departing. Zeneca also lost Mr Ed Dart, the head of research at the seeds division.

The news, coupled with early weakness on Wall Street, overshadowed the announcement that Zomig, Zeneca's anti-migraine drug, had been approved under new European regulatory procedures for use in Germany, Denmark and Finland.

Glaxo Wellcome hit a two-month low as investors took profits in the drug sector amid worries over patent expiries in the US. The shares were down 49 at £12.26. The hotels sector was given a substantial boost from interim figures released from **Millennium & Copthorne.**

Better than expected profits, plus a statement that the company's business had not been affected by the steep appreciation in sterling, saw the shares run up another 10 to 378½p, a three day gain of 37p, or almost 11 per cent.

Stakis was helped along by the Millennium results, its shares nudging ahead 1½ to 104p. The shares also responded to a positive note issued by Robert Fleming Securities, who labelled the stock a straight "buy" saying the company is "well placed to achieve above-average growth from its two main businesses".

Fleming's Jeffrey Harwood said the hotel division is benefiting from buoyant demand in the UK corporate sector, while the casino division is responding to a series of management and operational changes: "Admissions are growing strongly and profits are beginning to recover," he said.

News of encouraging passenger traffic figures for July were behind a resilient showing by BAA, and also helped to underpin the British Airways share price.

The number of passengers passing through BAA airports rose 6 per cent during the month, reaching a record monthly figure of 10.2m. BAA edged up 2 to 587½p, following aggressive turnover of 3.5m shares, while British Airways held up well for much of the session, before finally succumbing to overall market pressure and finishing the day only 3½ off at 627½p; turnover here was a higher than usual 2.9m shares.

Shipping group P & O, hit recently by a single large selling order, rallied 5 to 630p.

The drinks sectors provided a number of outperformers. Allied Domecq was among the FTSE 100's front runners during the morning, responding to positive noises emanating from a meeting between the company and sector analysts. The shares were up around 10 at best but subsequently suffered in the afternoon sell-off. However they managed to retain a minor gain to finish the day at 475¼p, after exceptionally heavy turnover of 7.7m shares, the biggest daily turnover since late June.

Whitbread was the third best individual performer in the FTSE 100 and although off its best, still managed a 7 gain at 838½p.

On the downside, Grand Metropolitan slipped 7½ to 585p and Guinness 5½ to 582½p.

RMC, the UK's leading building materials group and a major exporter to Germany, fell sharply, closing down 46 at £10.68, the second worst showing in the FTSE 100 amid widespread worries that German interest rates may be increased in the near term and despite a steep fall in sterling against the D-Mark.

United News & Media moved sharply higher after some brokers said recent worries over strategy had been overdone. Panmure Gordon has reiterated its "buy" stance following recent falls in the price, prompted by concerns that the group had overpaid for HTV and could become involved in a costly cable investment. The shares rose 15 to 708½p.

### FT 30 INDEX

| | Aug 13 | Aug 12 | Aug 11 | Aug 8 | Aug 7 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3185.2 | 3226.5 | 3205.9 | 3216.3 | 3222.3 | 2800.0 | 3222.3 | 2668.8 |
| Ord. div. yield | 3.45 | 3.40 | 3.41 | 3.40 | 3.39 | 4.08 | 4.22 | 3.39 |
| P/E ratio net | 18.74 | 19.01 | 18.94 | 18.99 | 19.07 | 16.92 | 19.07 | 15.80 |
| P/E ratio nil | 18.55 | 18.82 | 18.75 | 18.80 | 18.88 | 16.74 | 18.88 | 15.71 |

FT 30 since compilation: high 3128.1 16/07/97; low 49.4 26/06/40. Base Date: 1/7/35.

**FT 30 hourly changes**

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 3212.4 | 3202.3 | 3186.8 | 3195.4 | 3197.1 | 3184.9 | 3205.8 | 3206.5 | 3178.9 | 3214.2 | 3177.0 |

| | Aug 13 | Aug 12 | Aug 11 | Aug 8 | Aug 7 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 49,231 | 49,631 | 54,142 | 59,362 | 58,873 | 27,738 |
| Equity turnover (£m)† | - | 2996.9 | 2280.1 | 3294.8 | 3589.6 | 1494.2 |
| Equity bargains† | - | 50,030 | 55,339 | 52,076 | 52,411 | 34,508 |
| Shares traded (ml)† | - | 869.0 | 954.4 | 885.4 | 996.5 | 505.7 |

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

### London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 593 | Total Highs | 97 | Total contracts | 45,631 |
| Total Falls | 901 | Total Lows | 50 | Calls | 24,731 |
| Same | 1,589 | | | Puts | 20,900 |

Aug 13 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

**FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 5069.0 | 5020.0 | -95.0 | 5102.0 | 4970.0 | 16696 | 71603 |
| Dec | 5128.0 | 5086.0 | -95.0 | 5128.0 | 5105.0 | 93 | 6298 |
| Mar | | 5133.0 | -95.0 | | | 0 | 221 |

**FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point**

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | | 4730.0 | -15.0 | | | 0 | 8369 |

**FTSE 100 INDEX OPTION (LIFFE) (*4997) £10 per full index point**

| | 4800 C | 4800 P | 4850 C | 4850 P | 4900 C | 4900 P | 4950 C | 4950 P | 5000 C | 5000 P | 5050 C | 5050 P | 5100 C | 5100 P | 5150 C | 5150 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aug | 203 | 1½ | 153 | 2½ | 105 | 5 | 63½ | 13½ | 31½ | 34 | 12½ | 65½ | 3 | 110 | 1 | 159 |
| Sep | 270 | 45½ | 233½ | 59½ | 195 | 73½ | 161½ | 92½ | 131½ | 114 | 103½ | 136 | 82½ | 168 | 62 | 197 |
| Oct | 316½ | 78 | 278½ | 90½ | 242 | 105½ | 212 | 126½ | 182½ | 146 | 159 | 169 | 139½ | 197½ | 108½ | 227 |
| Nov | 353 | 96½ | 318½ | 109½ | 284 | 128 | 253½ | 148 | 221½ | 168 | 193 | 190 | 169½ | 217½ | 140½ | 246½ |
| Dec† | 408½ | 113½ | | | 336 | 148 | | | 268 | 191 | | | 289½ | 241 | | |

Calls 7,577 Puts 6,460

**EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point**

| | 4825 C | 4825 P | 4875 C | 4875 P | 4925 C | 4925 P | 4975 C | 4975 P | 5025 C | 5025 P | 5075 C | 5075 P | 5125 C | 5125 P | 5175 C | 5175 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aug | 174½ | 1½ | 128½ | 3½ | 82 | 9 | 46 | 22½ | 28½ | 47 | 7 | 83 | 1½ | 128 | 1 | 178½ |
| Sep | 265½ | 52 | 216 | 66 | 177 | 82½ | 145½ | 100½ | 117 | 122 | 93 | 147½ | 72½ | 177 | 54½ | 208½ |
| Oct | 293 | 78½ | 258½ | 93½ | 225½ | 110 | 194½ | 128½ | 166 | 149½ | 149½ | 173 | 117½ | 199 | 97 | 228 |
| Dec | 377 | 123 | | | 311½ | 154½ | | | 251½ | 192½ | | | 198 | 236 | | |
| Mar† | 456½ | 182 | | | 392½ | 194 | | | 334½ | 231 | | | 280½ | 272½ | | |

Calls 9,072 Puts 6,106 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1997 High | 1997 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| § | F.P. | - | 415 | 415 | Antofagasta Uts | 415 | | - | - | - | - |
| § | F.P. | 4,903 | 238 | 220½ | Billiton | 235½ | -1 | RQ10c | 1.8 | 2.7 | 28.3 |
| * | F.P. | 7.24 | 74½ | 70½ | †Blakes Clothing | 72½ | +1 | L1.45 | 5.1 | 2.5 | 7.9 |
| - | F.P. | 134.4 | 108¾ | 101 | Bristol & W Prf | 107½ | -¼ | - | - | - | - |
| §100 | F.P. | 29.8 | 145 | 109½ | Cammell Laird | 140½ | -½ | L3.8 | 2.1 | 3.4 | 13.6 |
| §260 | F.P. | 15.9 | 275 | 265 | Delcam | 269 | | L2.5 | 4.4 | 1.2 | 24.3 |
| | F.P. | - | 116 | 114 | EMI B | 115 | | 22.75 | - | 3.1 | - |
| * | F.P. | 9.92 | 117½ | 117½ | Fairfield Ents | 117½ | | W2.0 | 7.9 | 2.1 | 7.4 |
| §3 | F.P. | 4.61 | 3¾ | 3½ | †Fairplace Cnslg | 3¾ | | - | - | - | - |
| §- | F.P. | 8.56 | 65 | 65 | †GR Holdings | 65 | | - | - | - | 51.6 |
| §150 | F.P. | 235.9 | 202 | 162½ | Galen Hldgs | 194½ | | L0.9 | 5.7 | 0.6 | 31.3 |
| § | F.P. | 24.1 | 162½ | 117½ | Gremlin Group | 128½ | -3 | R3.5 | 3.2 | 3.4 | 10.0 |
| §125 | F.P. | 5.90 | 135 | 100½ | †Helicon Publsg | 100½ | -2 | - | - | - | - |
| § | F.P. | 572.0 | 396½ | 380 | Ionica | 381½ | | - | - | - | - |
| §160 | F.P. | 17.0 | 175½ | 172½ | †Kingfisher Lss | 175½ | | LW2.0 | 6.0 | 1.4 | 14.6 |
| * | F.P. | - | 79½ | 77 | †LEPCO | 78 | | - | - | - | - |
| §80 | F.P. | - | 98 | 93 | †Landround | 94½ | | - | 1.7 | - | 16.6 |
| §173 | F.P. | 44.8 | 217½ | 185½ | Metroline | 208½ | +1 | R5.8 | 2.8 | 3.5 | 12.5 |
| 100 | F.P. | 32.7 | 112½ | 99½ | Reabourne Merlin | 108½ | | - | - | - | - |
| §100 | F.P. | 7.83 | 120½ | 105½ | †SBS Group | 107½ | | L2.4 | 2.0 | 2.8 | 18.9 |
| - | F.P. | - | 38½ | 35½ | Severn Trent B | 35½ | -2 | - | - | - | - |
| - | F.P. | - | 47½ | 42½ | †Stentor Warrants | 46½ | | - | - | - | - |
| § | F.P. | 56.7 | 140½ | 136½ | Ted Baker | 137½ | | L3.49 | 0.1 | 3.2 | - |
| | F.P. | - | 22¼ | 19½ | Thorn B | 20½ | | - | - | - | - |
| - | F.P. | 80.5 | 68½ | 60 | Vigien Tech | 66 | | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## FTSE GOLD MINES INDEX

| | Aug 12 | % chg on day | Aug 11 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (31) | 1449.10 | -0.3 | 1454.12 | 2054.80 | 2.19 | - | 2891.05 | 1278.14 |
| **Regional Indices** | | | | | | | | |
| Africa (14) | 1445.27 | +0.1 | 1443.65 | 2847.31 | 5.33 | 23.85 | 2695.89 | 1324.06 |
| Australasia (6) | 1502.17 | +1.7 | 1477.57 | 2386.57 | 3.51 | 17.38 | 2455.10 | 1336.10 |
| North America (11) | 1459.31 | -0.8 | 1470.91 | 1846.87 | 0.96 | 74.14 | 1854.46 | 1244.23 |

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

## FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | Aug 13 | Day's chge% | Aug 12 | Aug 11 | Aug 8 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5003.6 | -1.4 | 5075.8 | 5031.9 | 5031.3 | 3830.3 | 3.30 | 2.06 | 18.39 | 107.83 | 2143.90 |
| FTSE 250 | 4677.0 | -0.5 | 4700.4 | 4671.6 | 4650.5 | 4351.9 | 3.55 | 1.59 | 22.17 | 98.32 | 1959.00 |
| FTSE 250 ex IT | 4676.9 | -0.5 | 4699.2 | 4669.6 | 4644.5 | 4387.4 | 3.69 | 1.62 | 20.91 | 101.50 | 1964.79 |
| FTSE 350 | 2407.6 | -1.2 | 2438.0 | 2418.1 | 2415.8 | 1917.6 | 3.35 | 1.96 | 19.00 | 51.66 | 2106.65 |
| FTSE 350 ex IT | 2408.2 | -1.3 | 2438.9 | 2418.8 | 2416.4 | - | 3.37 | 1.97 | 18.76 | 19.57 | 1080.69 |
| FTSE 350 Higher Yield | 2287.3 | -1.4 | 2318.7 | 2297.5 | 2297.0 | 1842.4 | 4.59 | 1.80 | 15.12 | 64.18 | 1699.68 |
| FTSE 350 Lower Yield | 2527.0 | -1.2 | 2556.7 | 2537.9 | 2534.0 | 2000.1 | 2.37 | 2.21 | 23.88 | 39.16 | 1806.04 |
| FTSE SmallCap | 2234.30 | +0.2 | 2228.83 | 2218.67 | 2209.78 | 2127.26 | 3.21 | 1.74 | 22.36 | 43.80 | 1902.84 |
| FTSE SmallCap ex IT | 2191.76 | +0.4 | 2183.55 | 2172.92 | 2160.41 | 2120.12 | 3.50 | 1.82 | 19.63 | 47.24 | 1883.20 |
| FTSE All-Share | 2348.96 | -1.2 | 2376.39 | 2357.52 | 2354.83 | 1894.65 | 3.34 | 1.95 | 19.19 | 50.11 | 2085.86 |
| FTSE All-Share ex IT | 2349.40 | -1.2 | 2377.25 | 2358.07 | 2355.17 | - | 3.38 | 1.97 | 18.81 | 19.17 | 1073.14 |

### FTSE Actuaries Industry Sectors

| | Aug 13 | Day's chge% | Aug 12 | Aug 11 | Aug 8 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(20) | 4963.51 | -1.7 | 5048.33 | 4957.45 | 4985.33 | 3585.36 | 3.10 | 1.94 | 20.77 | 98.75 | 2227.77 |
| 12 Extractive Industries(5) | 4408.31 | -1.6 | 4478.03 | 4465.49 | 4482.87 | 4218.78 | 3.57 | 2.38 | 14.69 | 104.80 | 1347.48 |
| 15 Oil, Integrated(3) | 5259.30 | -1.8 | 5356.92 | 5237.45 | 5270.87 | 3672.22 | 3.21 | 1.86 | 20.91 | 107.40 | 2428.32 |
| 16 Oil Exploration & Prod(12) | 3809.87 | -0.5 | 3827.82 | 3844.71 | 3847.38 | 2541.44 | 1.51 | 2.23 | 37.24 | 38.65 | 2334.60 |
| 20 GEN INDUSTRIALS(263) | 2064.19 | -1.0 | 2085.92 | 2070.74 | 2061.41 | 2020.12 | 3.87 | 1.93 | 16.74 | 47.22 | 1182.87 |
| 21 Building & Construction(35) | 1380.49 | ...... | 1380.25 | 1380.68 | 1371.90 | 1156.43 | 3.23 | 1.98 | 19.56 | 26.37 | 1201.97 |
| 22 Building Matls & Merchs(30) | 1925.41 | -1.3 | 1950.97 | 1956.96 | 1935.48 | 1880.18 | 4.19 | 2.82 | 10.59 | 42.27 | 1017.90 |
| 23 Chemicals(26) | 2730.16 | -2.2 | 2790.40 | 2789.20 | 2779.76 | 2373.68 | 3.73 | 1.63 | 20.57 | 60.42 | 1359.86 |
| 24 Diversified Industrials(15) | 1397.22 | +0.1 | 1395.83 | 1365.39 | 1367.60 | 1567.01 | 5.34 | 1.97 | 11.91 | 46.48 | 833.93 |
| 25 Electronic & Elect Equip(37) | 2175.26 | -1.3 | 2204.64 | 2200.85 | 2196.23 | 2307.07 | 3.77 | 1.63 | 20.34 | 48.65 | 1182.69 |
| 26 Engineering(66) | 2782.51 | -1.1 | 2813.60 | 2774.88 | 2780.74 | 2456.73 | 3.03 | 2.33 | 17.76 | 52.34 | 1756.76 |
| 27 Engineering, Vehicles(13) | 3192.95 | -0.9 | 3220.44 | 3191.18 | 3165.90 | 3050.92 | 3.17 | ‡ | ‡ | 54.42 | 1718.83 |
| 28 Paper, Pckg & Printing(27) | 2135.42 | -1.0 | 2156.39 | 2141.43 | 2140.90 | 2676.85 | 4.94 | 1.80 | 14.05 | 61.09 | 935.00 |
| 29 Textiles & Apparel(14) | 1031.78 | +0.4 | 1027.32 | 1025.68 | 1022.60 | 1260.61 | 6.78 | 0.99 | 18.65 | 41.67 | 678.99 |
| 30 CONSUMER GOODS(94) | 4570.56 | -1.8 | 4653.15 | 4632.89 | 4686.24 | 3582.50 | 3.35 | 1.83 | 20.39 | 114.41 | 1775.13 |
| 32 Alcoholic Beverages(7) | 3321.75 | -0.8 | 3349.69 | 3306.09 | 3340.23 | 2811.36 | 3.80 | 1.98 | 16.60 | 90.96 | 1268.33 |
| 33 Food Producers(25) | 3160.49 | -1.5 | 3207.76 | 3194.15 | 3192.62 | 2523.04 | 3.49 | 1.86 | 19.23 | 69.99 | 1498.54 |
| 34 Household Goods(17) | 3124.77 | -1.1 | 3158.54 | 3151.42 | 3183.63 | 2568.30 | 3.26 | 2.32 | 16.56 | 54.26 | 1284.86 |
| 36 Health Care(14) | 2275.37 | -0.1 | 2277.21 | 2288.07 | 2289.67 | 2006.15 | 2.60 | 1.69 | 28.39 | 36.49 | 1429.19 |
| 37 Pharmaceuticals(18) | 7259.63 | -2.6 | 7456.77 | 7474.69 | 7540.97 | 5261.09 | 2.57 | 1.73 | 28.19 | 153.36 | 2564.84 |
| 38 Tobacco(3) | 4341.70 | -0.1 | 4348.22 | 4223.31 | 4267.20 | 3930.49 | 6.49 | 1.81 | 10.66 | 225.73 | 1177.05 |
| 40 SERVICES(271) | 2745.88 | -0.7 | 2764.11 | 2737.89 | 2729.12 | 2539.50 | 2.93 | 1.97 | 21.72 | 50.60 | 1484.26 |
| 41 Distributors(30) | 2851.18 | -0.7 | 2870.44 | 2827.70 | 2798.33 | 2775.24 | 3.29 | 1.95 | 19.50 | 54.79 | 1093.85 |
| 42 Leisure & Hotels(31) | 3193.09 | -0.7 | 3215.57 | 3197.77 | 3183.92 | 3193.89 | 2.92 | 1.91 | 22.42 | 70.15 | 1773.18 |
| 43 Media(42) | 4169.96 | -1.1 | 4217.72 | 4183.37 | 4151.74 | 4254.68 | 2.41 | 1.92 | 27.04 | 71.72 | 1553.55 |
| 44 Retailers, Food(15) | 2445.36 | -1.1 | 2471.98 | 2410.50 | 2412.87 | 2040.55 | 3.39 | 2.26 | 16.32 | 47.61 | 1629.22 |
| 45 Retailers, General(53) | 2229.42 | -0.4 | 2238.52 | 2226.22 | 2227.83 | 2105.65 | 3.17 | 2.04 | 19.35 | 44.81 | 1350.54 |
| 47 Breweries, Pubs & Rest.(22) | 3384.22 | -0.3 | 3395.42 | 3351.14 | 3346.51 | 3129.02 | 3.35 | 2.29 | 16.32 | 62.74 | 1692.65 |
| 48 Support Services(55) | 3100.30 | -0.6 | 3117.66 | 3103.12 | 3084.63 | 2467.61 | 1.67 | 2.47 | 30.43 | 29.64 | 2021.73 |
| 49 Transport(23) | 2878.86 | -0.2 | 2883.53 | 2865.64 | 2856.72 | 2383.62 | 3.48 | 1.23 | 29.13 | 61.15 | 1257.55 |
| 60 UTILITIES(31) | 3052.54 | -1.1 | 3086.62 | 3043.23 | 3038.09 | 2336.57 | 4.72 | 1.44 | 18.44 | 71.64 | 1419.32 |
| 62 Electricity(9) | 3330.94 | -0.7 | 3355.62 | 3345.02 | 3320.62 | 2449.58 | 5.39 | 2.01 | 11.56 | 92.77 | 1882.02 |
| 64 Gas Distribution(2) | 2329.90 | -2.1 | 2380.36 | 2313.07 | 2262.60 | 1335.62 | 5.23 | ‡ | ‡ | 54.50 | 1319.20 |
| 66 Telecommunications(8) | 2375.82 | -1.2 | 2404.93 | 2357.54 | 2377.23 | 1974.03 | 3.89 | 1.53 | 21.08 | 44.58 | 1143.10 |
| 68 Water(12) | 2858.46 | -0.5 | 2872.25 | 2885.89 | 2850.73 | 2242.76 | 5.81 | 2.27 | 9.50 | 90.98 | 1711.67 |
| 69 NON-FINANCIALS(669) | 2345.98 | -1.2 | 2374.50 | 2351.42 | 2352.50 | 1997.80 | 3.48 | 1.83 | 19.69 | 50.61 | 1871.06 |
| 70 FINANCIALS(104) | 4734.86 | -1.1 | 4786.69 | 4772.05 | 4741.85 | 3067.44 | 3.09 | 2.45 | 16.55 | 102.17 | 2143.62 |
| 71 Banks, Retail(10) | 7406.15 | -1.1 | 7491.88 | 7475.36 | 7436.03 | 4378.20 | 2.82 | 2.57 | 17.25 | 152.23 | 2542.91 |
| 73 Insurance(16) | 1862.97 | -1.2 | 1885.29 | 1895.63 | 1869.53 | 1471.32 | 4.65 | 2.89 | 9.29 | 56.48 | 1490.57 |
| 74 Life Assurance(7) | 4997.49 | -1.1 | 5052.54 | 4999.54 | 4922.93 | 3414.77 | 3.44 | 2.32 | 15.67 | 121.00 | 2182.92 |
| 77 Other Financial(28) | 3358.00 | -0.4 | 3372.75 | 3322.33 | 3323.66 | 2585.44 | 3.14 | 1.99 | 20.00 | 66.44 | 2004.18 |
| 79 Property(43) | 2011.22 | -1.0 | 2030.77 | 2027.35 | 2021.25 | 1604.11 | 3.26 | 1.32 | 29.03 | 35.42 | 1294.35 |
| 80 INVESTMENT TRUSTS(127) | 3562.56 | -0.6 | 3584.60 | 3570.38 | 3578.26 | 3135.26 | 2.13 | 1.17 | 50.08 | 45.26 | 1279.08 |
| 89 FTSE All-Share(900) | 2348.96 | -1.2 | 2376.39 | 2357.52 | 2354.83 | 1894.65 | 3.34 | 1.95 | 19.19 | 50.11 | 2085.86 |
| 105 FTSE All-Share ex IT(773) | 2349.40 | -1.2 | 2377.25 | 2358.07 | 2355.17 | - | 3.38 | 1.97 | 18.81 | 19.17 | 1073.14 |
| FTSE Fledgling | 1249.54 | -0.1 | 1251.10 | 1247.49 | 1243.36 | 1226.89 | 3.25 | 0.91 | 42.06 | 24.89 | 1356.32 |
| FTSE Fledgling ex IT | 1245.06 | -0.1 | 1246.38 | 1242.45 | 1236.31 | 1240.34 | 3.64 | 0.91 | 37.95 | 25.31 | 1362.74 |
| FTSE AIM | 1025.1 | ...... | 1025.0 | 1024.0 | 1019.3 | - | 1.04 | 0.94 | 80.00† | 4.79 | 940.56 |

### Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5054.0 | 5038.8 | 5032.5 | 5027.2 | 5026.1 | 5000.8 | 5042.3 | 5040.9 | 4997.5 | 5054.0 | 4994.8 |
| FTSE 250 | 4695.7 | 4690.8 | 4684.8 | 4679.0 | 4680.2 | 4677.1 | 4678.7 | 4682.7 | 4675.9 | 4695.7 | 4675.4 |
| FTSE 350 | 2429.0 | 2422.6 | 2419.6 | 2417.0 | 2417.4 | 2406.5 | 2422.9 | 2422.7 | 2405.1 | 2429.0 | 2404.3 |
| FTSE SmallCap | 2231.37 | 2231.94 | 2232.23 | 2232.74 | 2233.12 | 2233.28 | 2233.84 | 2234.35 | 2234.15 | 2234.43 | 2231.37 |
| FTSE All-Share | 2368.38 | 2362.57 | 2359.82 | 2357.44 | 2357.90 | 2347.92 | 2362.88 | 2362.75 | 2346.68 | 2368.38 | 2345.93 |

Time of FTSE 100 Day's high: 2:20 PM Day's low: 3:33 PM. FTSE 100 1997 High: 5003.6 (13/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 8:30 AM Day's low: 3:33 PM. FTSE All-Share 1997 High: 2349.00 (13/08/97) Low: 1989.78 (02/01/97)

Further information is available on http://www.ftse.com



† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative. Deletion: Yorkshire T.V. (43) & (FTSE 250); Edinburgh US Trk Tst (FTSE SmallCap); Roskel (FTSE Fledgling). Insert: Edinburgh US Trk Tst (FTSE 250).

FTSE INTERNATIONAL

## TRADING VOLUME

**Major Stocks Yesterday**

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE

## PACIFIC

## NORTH AMERICA

CANADA

TORONTO (Aug 13 / Can $) 4 pm close

## AFRICA

SOUTH AFRICA (Aug 13 / Rand)



## INDICES

| | Aug 13 | Aug 12 | Aug 11 | 1997 High | | 1997 Low | |
|---|---|---|---|---|---|---|---|
| India | | | | | | | |
| BSE Sens.(1979) | 4370.13 | 4425.03 | 4481.30 | 4648.02 | 5/8 | 3225.24 | 2/1 |
| Indonesia | | | | | | | |
| Jakarta Comp.(10/8/82) | 658.60 | 662.95 | 658.17 | 740.83 | 8/7 | 631.27 | 15/4 |
| Ireland | | | | | | | |
| ISEQ Overall(4/1/88) | 3890.02 | 3722.16† | 3708.97 | 3726.80 | 6/8 | 2725.07 | 2/1 |
| Italy | | | | | | | |
| Banca Comm Ital(1972) | 908.66 | 910.68 | 908.73 | 959.18 | 29/7 | 642.55 | 2/1 |
| MIB General(2/1/97) | 1363.0 | 1369.0 | 1363.0 | 1442.00 | 29/7 | 991.00 | 2/1 |
| Japan | | | | | | | |
| Nikkei 225(16/5/49) | 19008.60 | 19059.11 | 18824.18 | 20681.07 | 16/6 | 17303.65 | 10/1 |
| Nikkei 300(1/10/82) | 289.17 | 288.78 | 285.42 | 303.71 | 28/7 | 251.04 | 27/1 |
| Taiwan | | | | | | | |
| Weighted Pr.**(30/6/66) | 9558.12 | 9807.74 | 9897.27 | 10088.35 | 31/7 | 6844.76 | 6/1 |
| Thailand | | | | | | | |
| Bangkok SET(30/4/75) | 632.73 | (c) | 632.25 | 858.97 | 22/1 | 464.77 | 19/6 |
| Turkey | | | | | | | |
| IMKB Nat 100(1986) | 2005.00 | 2036.00 | 2032.00 | 2080.50 | 7/8 | 995.00 | 2/1 |
| WORLD | | | | | | | |
| MS Capital Intl(1/1/70) | 952.7* | 956.4 | 950.4 | 981.80 | 31/7 | 794.50 | 14/4 |
| CROSS-BORDER | | | | | | | |
| Eurotrack 100(26/10/90) | 2715.53 | 2757.29 | 2753.17 | 2794.80 | 7/8 | 1893.80 | 2/1 |
| FTSE E 100(26/6/90) | 2256.29 | 2314.98 | 2299.71 | 2355.85 | 7/8 | 1582.90 | 2/1 |
| HSBC JC Drgs(31/12/88) | (u) | 419.84 | 422.76 | 434.83 | 8/8 | 361.83 | 29/4 |
| ING Brngs Emrg(7/1/92) | 187.02 | 187.98 | 189.05 | 198.81 | 9/7 | 159.74 | 3/1 |

## INDEX FUTURES

| CAC-40 (MATIF/MONEP) (200 x Index) | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Aug | 2975.0 | 2924.0 | -81.0 | 2989.5 | 2918.0 | 21,824 | 25,535 |
| Sep | 2981.5 | 2932.5 | -81.0 | 2992.5 | 2928.0 | 729 | 23,870 |
| **DAX** | | | | | | | |
| Sep | 4336.0 | 4248.0 | -142.0 | 4352.0 | 4223.5 | 38,877 | 95,937 |
| Dec | 4378.0 | 4280.0 | -142.0 | 4381.0 | 4268.5 | 338 | 3,378 |

| OMX | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Aug | 2645.00 | 2607.00 | -70.0 | 2672.50 | 2605.25 | 7,348 | 21,801 |
| Sep | 2656.00 | 2619.75 | -68.5 | 2679.00 | 2617.25 | 1,225 | 3,934 |
| **SOFFEX** | | | | | | | |
| Aug | 5759.0 | 5670.0 | -140.0 | 5790.0 | 5638.0 | 12,020 | 18,649 |
| Sep | 5765.0 | 5677.7 | -160.0 | 5880.0 | 5888.7 | 4,572 | 6,669 |

** Sat Aug 9 : Taiwan Weighted Price 9989.54; Korea Comp Ex 760.84. Base values of all indices are 100 except Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX - all 1,000; SMI - 1500; JSE Gold - 255.7; JSE 20 Ind - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Stand & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 13 - 4207.05 -140.45

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

## US INDICES

| Dow Jones | Aug 12 | Aug 11 | Aug 8 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 7960.84 | 8062.11 | 8031.22 | 8259.31 (6/8) | 6391.69 (11/4) | 8259.31 (6/8/97) | 41.22 (8/7/32) |
| Home Bonds | 104.20 | 104.19 | 104.23 | 104.70 (31/7) | 101.09 (14/4) | 104.70 (31/7/97) | 54.99 (1/10/81) |
| Transport | 2913.84 | 2934.16 | 2957.02 | 3009.25 (6/8) | 2222.07 (2/1) | 3009.25 (6/8/97) | 13.23 (8/7/32) |
| Utilities | 232.42 | 232.88 | 228.82 | 240.85 (22/1) | 209.47 (25/4) | 256.46 (31/8/93) | 16.53 (8/7/32) |

DJ Ind. Day's high 8132.49 (8122.27) Low 7926.46 (7922.52) (Theoretical♦)
Day's high 8085.58 (8078.51) Low 7948.89 (7964.56) (Actual♦)

| Standard and Poors | Aug 12 | Aug 11 | Aug 8 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 926.53 | 937.00 | 933.54 | 960.32 (6/8) | 737.01 (2/1) | 960.32 (6/8/97) | 4.40 (1/6/32) |
| Industrials▼ | 1091.44 | 1103.34 | 1101.56 | 1130.76 (6/8) | 865.42 (11/4) | 1130.76 (6/8/97) | 3.52 (30/6/32) |
| Financial | 105.74 | 107.40 | 108.04 | 111.88 (31/7) | 80.75 (2/1) | 111.88 (31/7/97) | 7.13 (4/9/74) |
| NYSE Comp. | 480.76 | 485.21 | 483.79 | 487.00 (6/8) | 389.47 (11/4) | 487.00 (6/8/97) | 4.64 (25/4/42) |
| Amex Comp. | 643.23 | 644.35 | 646.15 | 654.06 (6/8) | 541.20 (28/4) | 654.06 (6/8/97) | 524.20 (16/7/96) |
| NASDAQ Cmp | 1576.24 | 1586.74 | 1598.52 | 1630.44 (6/8) | 1201.00 (2/4) | 1630.44 (6/8/97) | 54.87 (3/10/74) |

### ■ RATIOS

| | Aug 8 | Aug 1 | Jul 25 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.61 | 1.58 | 1.60 | 2.21 |
| | Aug 6 | Jul 30 | Jul 23 | Year ago |
| S & P Ind. Div. yield | 1.47 | 1.48 | 1.50 | 2.03 |
| S & P Ind. P/E ratio | 26.35 | 28.05 | 25.77 | 21.16 |

### ■ NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| AT&T | 8,555,100 | 40¾ | -1¼ |
| Micron Tech | 8,382,200 | 50¼ | -4⅞ |
| Compaq | 7,482,600 | 57¼ | -1⅛ |
| Coca Cola | 7,081,000 | 60⅛ | -⅛ |
| Chile Tele | 6,278,600 | 32 | -¼ |
| Ph Morris | 5,468,800 | 45⅞ | +¼ |
| Pfizer | 4,815,400 | 53⅛ | -1⅛ |
| ColumbiaHCA | 4,744,400 | 34⅛ | +⅛ |
| Elec Data | 4,540,800 | 35¾ | -⅜ |
| The Limited | 4,049,400 | 22⅛ | -⅛ |

### ■ TRADING ACTIVITY

● Volume (million)

| | Aug 12 | Aug 11 | Aug 8 |
|---|---|---|---|
| New York SE | 503.026 | 473.633 | 581.302 |
| Amex | 25.382 | 23.153 | 27.121 |
| NASDAQ | 645.676 | 623.822 | 703.220 |
| **NYSE** | | | |
| Issues Traded | 3,382 | 3,366 | 3,379 |
| Rises | 1,262 | 1,349 | 525 |
| Falls | 1,557 | 1,493 | 2,472 |
| Unchanged | 563 | 524 | 383 |
| New Highs | 133 | 90 | 64 |
| New Lows | 17 | 13 | 17 |

| ■ S&P 500 | Open | Latest | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Sep | 926.00 | 933.60 | +5.95 | 941.00 | 920.05 | 67,218 | 186,144 |
| Dec | 948.00 | 948.40 | +8.65 | 950.00 | 944.25 | 975 | 7,491 |

| ■ Nikkei 225 | Open | Sett price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| Sep | 18900.0 | 19030.0 | -70.0 | 19120.0 | 18800.0 | 24,279 | 179,401 |
| Dec | 18890.0 | 19050.0 | -20.0 | 19060.0 | 18810.0 | 1,463 | 11,993 |

Open interest figures for previous day.

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‖ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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### ■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 13, 1997

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Mitsui Co | 9.1m | 1070 | |
| Fujita Corp | 8.2m | 111 | +6 |
| Yasuda F & M Ins | 6.7m | 746 | -5 |
| Hitachi | 6.1m | 1260 | -20 |
| Sakura Bank | 6.1m | 715 | +15 |
| Fujitsu | 5.7m | 1650 | +40 |
| Nomura Secs | 5.5m | 1670 | -30 |
| Nippon Steel Cp | 4.9m | 312 | +6 |
| Tokio M & F Ins | 4.7m | 1530 | +30 |
| Toshiba Corp | 4.1m | 717 | +2 |

4 pm close August 13

# NEW YORK STOCK EXCHANGE PRICES

## - A -

| 1997 High | 1997 Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 38 7/16 | 24 1/4 | AAR x | 0.48 | 1.4 | 26 | 714 | 34 5/8 | 33 15/16 | 34 5/8 | +7/8 |
| 53 3/4 | 33 1/8 | AMP x | 1.04 | 2.1 | 41 | 8999 | 51 3/8 | 49 7/8 | 50 5/16 | -3/16 |
| 110 7/16 | 78 1/4 | AMR | | | 8 | 5939 | 106 3/8 | 103 | 105 7/16 | +1 11/16 |
| 37 5/8 | 29 1/2 | ASA x | 1.20 | 3.8 | 20 | 874 | 31 1/2 | 31 3/16 | 31 1/4 | -7/16 |
| 68 13/16 | 49 3/4 | AbbtL x | 1.08 | 1.7 | 25 | 17558 | 64 1/2 | 62 13/16 | 62 13/16 | -1 1/8 |
| 20 1/2 | 14 1/8 | AcMBl | 0.40 | 2.2 | 9 | 1174 | 18 7/16 | 18 1/8 | 18 7/16 | +1/4 |
| 25 | 17 3/8 | AGM Ind | 0.40 | 1.7 | 21 | 163 | 24 1/16 | 23 15/16 | 24 | +3/16 |
| 24 1/8 | 17 3/4 | Acptocein | | | 10 | 477 | 21 1/2 | 21 1/4 | 21 3/16 | -1/16 |
| 87 1/4 | 56 1/8 | ACE Ltd | 0.88 | 1.1 | 11 | 995 | 82 5/8 | 81 | 81 1/4 | -7/8 |
| 10 3/4 | 10 | ACM Gvt In x | 0.90 | 8.7 | 11 | 231 | 10 7/16 | 10 5/16 | 10 3/8 | |
| 8 | 7 | ACM GvOpp x | 0.63 | 8.3 | | 108 | 7 11/16 | 7 5/8 | 7 5/8 | -1/16 |
| 10 5/16 | 9 1/4 | ACM Mos x | 0.90 | 9.1 | | 402 | 10 | 9 13/16 | 9 7/8 | -1/16 |
| 10 3/8 | 6 1/8 | Acme Elect | | | | 83 | 6 7/16 | 6 3/16 | 6 7/16 | -1/16 |
| 20 | 13 | Acme Mills | | | | 29 | 14 3/4 | 14 11/16 | 14 11/16 | -1/16 |
| 22 15/16 | 14 | ACNielsen | | | 39 | 716 | 21 7/8 | 21 5/8 | 21 3/4 | +1/16 |
| 29 3/4 | 19 1/8 | Acuson | | | | 1029 | 26 | 25 9/16 | 26 | +11/16 |
| 24 3/8 | 19 3/8 | Adams Expr | 0.55 | 2.3 | 1 | 224 | 24 1/8 | 23 3/4 | 23 15/16 | -1/16 |
| 48 1/2 | 24 7/8 | AdvMic | | | | 22519 | 38 1/4 | 35 3/8 | 37 7/8 | +2 1/8 |
| 27 1/2 | 10 3/8 | Advest Grp | 0.12 | 0.5 | 16 | 156 | 22 5/8 | 21 7/8 | 22 1/16 | -1/4 |
| 18 13/16 | 11 3/8 | Advo Inc | | | 18 | 325 | 17 15/16 | 17 5/8 | 17 5/8 | -3/8 |
| 78 7/8 | 61 1/8 | Aegon | 1.31 | 1.8 | 20 | 1081 | 73 7/16 | 71 9/16 | 71 5/8 | -13/16 |
| 9 1/4 | 3 1/8 | Aeriflx | | | | 1563 | 8 5/8 | 8 1/4 | 8 5/8 | +3/8 |
| 55 7/16 | 33 | Aero-V x | 0.80 | 1.5 | 18 | 825 | 53 3/4 | 53 1/16 | 53 1/2 | -1/16 |
| 82 3/4 | 48 | AES Corp | | | | 20 | 78 5/16 | 78 5/16 | 78 5/16 | -1/16 |
| 118 1/8 | 73 | Aetna x | 0.80 | 0.8 | 31 | 25681 | 98 5/8 | 95 13/16 | 96 1/4 | -1 7/16 |
| 32 | 19 1/2 | AffCom | | | 23 | 938 | 25 9/16 | 24 3/4 | 25 1/8 | -7/16 |
| 56 3/8 | 37 1/2 | Aflac | 0.48 | 0.9 | 12 | 1329 | 53 7/16 | 52 7/8 | 53 | -7/16 |
| 35 13/16 | 19 1/4 | AGCO | 0.04 | 0.1 | 12 | 20 | 30 7/8 | 30 7/8 | 30 7/8 | -1/4 |
| 21 5/8 | 18 3/8 | AGL Res x | 1.08 | 5.7 | 13 | 435 | 19 1/16 | 18 7/8 | 18 15/16 | -3/8 |
| 53 3/4 | 32 | Ahmnsn x | 0.88 | 1.8 | 25 | 3702 | 51 1/2 | 49 11/16 | 50 1/4 | +5/8 |



Continued on next page

# NYSE PRICES

4 pm close August 13

Continued from previous page

| High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 56 | 37 7/8 | York Int | 0.48 | 1.0 | 15 | 823 | 47 3/4 | 47 | 47 5/8 | +3/8 |
| 6 5/16 | 4 | Zapata | 0.28 | 4.7 | 50 | 509 | 6 1/16 | 5 15/16 | 6 | |
| 13 1/8 | 9 1/8 | ZenithE | | | | 1285 | 11 1/8 | 10 3/4 | 10 7/8 | -1/8 |
| 28 7/8 | 24 5/8 | Zenith Nat x | 1.00 | 3.8 | 15 | 39 | 26 7/16 | 26 3/16 | 26 5/16 | -3/16 |
| 8 | 7 1/8 | Zenix Inc | 0.79 | 9.3 | | 174 | 7 15/16 | 7 13/16 | 7 7/8 | -1/16 |
| 28 3/4 | 17 3/4 | Zero x | 0.12 | 0.4 | 20 | 73 | 27 1/16 | 27 | 27 | -1/16 |
| 12 5/16 | 10 3/4 | ZweigFd♣ | 1.20 | 9.6 | | 539 | 12 1/4 | 12 3/16 | 12 1/4 | +1/16 |
| 9 1/16 | 8 | Zweig Tot x | 0.84 | 9.3 | | 515 | 9 | 8 7/8 | 9 | |

*Price data supplied by Extel, part of FT Information.*

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

¶ Dealings suspended.

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# AMEX PRICES

4 pm close August 13

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

# NASDAQ NATIONAL MARKET

4 pm close August 13

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| **- A -** | | | | | | | |
| ACC Corp | | 88 | 1012 | 33 11/16 | 32 3/4 | 33 5/8 | +1 |
| Acclaim E | | | 1032 | 4 | 3 3/4 | 3 3/4 | -1/8 |
| Acxiom Cp | | 37 | 820 | 18 5/8 | 18 1/4 | 18 3/16 | +1/4 |
| Adaptech | | 50 | 17521 | 47 5/8 | 46 | 46 5/8 | +1 5/8 |
| ADCTel | | 49 | 6822 | 35 1/2 | 34 | 34 3/8 | -3/8 |
| AdeccoADR | 0.37 | 40 | z0 | 45 1/4 | 45 1/4 | 45 1/4 | |
| AdobeS | 0.20 | 18 | 16448 | 41 1/4 | 39 5/8 | 40 7/8 | +1 3/16 |
| Adv Logic | | 6 | z0 | 7 | d7 | 7 | |
| Adv Polym | | | 456 | 8 1/8 | 7 5/8 | 7 13/16 | -1/16 |
| AdvTchLab | | 27 | 821 | 39 1/4 | 37 1/2 | 38 7/8 | -1/8 |
| AdvantA | 0.44 | 20 | 4392 | 35 1/4 | 34 3/8 | 34 5/8 | -1/8 |
| AdvanB | 0.53 | 19 | 4902 | 33 1/2 | 32 1/2 | 33 | -3/16 |
| AirExpr x | 0.20 | 23 | 1157 | 31 1/4 | 30 3/4 | 30 7/8 | +1/8 |
| Akzo ADR | 1.53 | 15 | 1056 | 82 1/4 | 80 3/4 | 81 1/8 | -3/4 |
| AlexBld x | 0.88 | 15 | 318 | 26 3/4 | 26 3/8 | 26 1/2 | -1/8 |
| AltCom | 0.64 | 15 | z0 | 21 | 21 | 21 | |
| Allen Org | 0.56 | 16 | 34 | 39 1/8 | 39 | 39 | -2 |
| AllPharm | | | 1835 | 9 1/16 | 8 3/4 | 8 7/8 | |
| AlldCapII | 1.64 | 19 | 69 | d21 7/8 | 21 1/4 | 21 1/2 | -1/4 |
| Alld Cap | 1.78 | 13 | 112 | 16 1/4 | 16 | 16 1/8 | +1/8 |
| [illegible] | | | | | | | |
| **- D -** | | | | | | | |
| DrecoEngy | | 35 | 184 | [illegible] | | | |
| DressBarn | | 16 | 1253 | [illegible] | | | |
| Drey GD | 0.24 | 456 | 625 | [illegible] | | | |
| Drug Empo | | 48 | 258 | [illegible] | | | |
| Duriron | 0.56 | 16 | z0 | [illegible] | | | |
| **- E -** | | | | | | | |
| Eagle Fd | | 15 | 638 | [illegible] | | | |
| EastEnvmt | | | 3598 | [illegible] | | | |
| ECI Tel x | 0.20 | 21 | 2934 | [illegible] | | | |
| Egghead | | | 2248 | [illegible] | | | |
| ElectSci | | 21 | 299 | [illegible] | | | |
| ElectroB | 1.27 | 13 | 274 | [illegible] | | | |
| ElectArts | | 33 | 8984 | [illegible] | | | |
| Emcon Ass | | | 225 | [illegible] | | | |
| Emulex | | 162 | 182 | [illegible] | | | |
| Enzon♣ | | | 976 | [illegible] | | | |
| EquityO♣ | | | 176 | [illegible] | | | |
| ERD Waste | | 2 | 50 | [illegible] | | | |
| EricsnB | 0.28 | 47 | 9936 | [illegible] | | | |
| Ethicl | | | z0 | [illegible] | | | |
| Evans Sm | | 23 | 204 | [illegible] | | | |
| [illegible] | | | | | | | |
| **- I -** | | | | | | | |
| IntDairyQA | | 14 | 469 | 24 | 23 3/4 | 23 3/4 | |
| Invacare | 0.05 | 16 | 1997 | 22 3/4 | 21 1/4 | 21 7/8 | -11/16 |
| IonicaADR | | | z0 | 17 7/8 | d17 7/8 | 17 7/8 | |
| ItoYokado | 1.01 | 38 | 39 | 228 3/4 | 227 1/4 | 228 3/4 | -1 |
| **- J -** | | | | | | | |
| J&J Snack | | 20 | 65 | 16 | 15 5/8 | 15 5/8 | -3/16 |
| Jason Inc | | 16 | 26 | 7 | 6 3/4 | 7 | +1/4 |
| Johnson W | | | 13 | 14 3/4 | 14 1/2 | 14 3/4 | +1/2 |
| Jones Int | | | 136 | 12 1/4 | 12 | 12 | -1/8 |
| Jones Med | 0.10 | 32 | 12742 | 27 1/2 | 24 3/4 | 25 | -1 |
| JSB Fin x | 1.40 | 15 | z0 | 44 13/16 | 44 13/16 | 44 13/16 | +3/16 |
| Juno Ltg | 0.32 | 13 | 610 | 15 1/2 | 14 7/8 | 14 7/8 | -1/8 |
| Justin | 0.16 | 15 | 1375 | 13 7/8 | 13 1/2 | 13 3/4 | +1/8 |
| **- K -** | | | | | | | |
| K Swiss | 0.08 | 169 | z0 | 15 1/4 | 15 1/4 | 15 1/4 | |
| Kaman Cp | 0.44 | 26 | 530 | d16 3/4 | 16 5/8 | 16 3/8 | -1/8 |
| Kelly Sv | 0.88 | 16 | 834 | 32 1/4 | 31 3/4 | 32 1/16 | +3/16 |
| Kimball | 1.16 | 14 | 280 | 42 1/16 | 41 1/16 | 41 1/2 | -1/4 |
| KLA-Tn | | 53 | 34735 | u66 7/8 | 62 7/8 | 65 7/8 | +3 7/8 |
| Koll A | | | z0 | 1/8 | 1/8 | 1/8 | |
| Komag♣ | | 19 | 9165 | 19 1/2 | 18 3/8 | 19 1/2 | +5/8 |
| Kulicke S | | | 11625 | u44 3/8 | 41 1/4 | 43 3/8 | +1 1/8 |
| **- P - Q -** | | | | | | | |
| Pentech I | | | 469 | 2 5/8 | 2 1/2 | 2 1/2 | -1/16 |
| Penwest L x | 0.20 | 33 | 88 | 30 | 28 1/2 | 28 1/2 | -1 |
| PeopBnkCt x | 0.88 | 19 | 467 | 28 1/2 | 27 3/4 | 27 3/4 | -1/4 |
| Peoples H | 0.76 | 15 | 430 | 39 3/8 | 38 3/4 | 38 3/4 | +1/8 |
| PeopleS | | 123 | 16181 | 56 1/2 | 53 7/8 | 54 1/8 | +1/8 |
| Perrigo | | 23 | 8227 | 13 1/16 | 12 3/8 | 12 3/4 | -1/8 |
| PETsMART | | 182 | 1695 | 8 3/8 | d7 13/16 | 8 1/8 | |
| PharmDev | | 53 | 1883 | 23 3/4 | 23 | 23 1/8 | +1/4 |
| PhoenxTch | | 24 | 1232 | 14 1/16 | 13 5/16 | 13 7/8 | +13/16 |
| PhysCpAm | | | 879 | 6 7/8 | 6 3/4 | 6 3/4 | -1/8 |
| Picturetel | | 20 | 2810 | 10 13/16 | 10 7/16 | 10 13/16 | +3/8 |
| PioneerGp | 0.40 | 29 | 557 | 26 | 25 1/4 | 25 11/16 | +7/16 |
| PioneerSt | 0.12 | 14 | 174 | 15 1/8 | 14 5/8 | 14 5/8 | -1/4 |
| Pixar | | 30 | 1441 | 18 3/4 | 18 | 18 1/8 | -3/8 |
| PlnwdA | | 37 | 1619 | 21 1/2 | 20 7/8 | 21 1/16 | +7/16 |
| PLDTel | | 8 | z0 | 6 11/16 | 6 11/16 | 6 11/16 | +1/4 |
| Pncebk x | 0.68 | 9 | 52 | 21 7/16 | 21 1/8 | 21 7/16 | +3/16 |
| Powell | | 15 | 4 | 17 1/4 | 16 1/4 | 16 1/4 | -1 |
| Pres Life | 0.20 | 15 | 116 | 19 | 18 7/8 | 18 7/8 | -1/4 |
| Presstek | | 112 | 4683 | 40 | 34 1/2 | 36 | -3 5/16 |
| PrdePt♣ | | 13 | 9586 | 28 1/4 | 27 1/2 | 28 1/2 | -3/8 |
| Printronx | | 18 | 485 | 15 3/4 | 15 3/8 | 15 5/8 | |
| Qualcomm | | 47 | 7302 | 47 1/8 | 45 3/4 | 46 1/4 | +1/4 |
| Qual Food | | 23 | z0 | 42 1/4 | 42 1/4 | 42 1/4 | +1/4 |
| Quantum | | 18 | 46962 | 35 5/8 | 34 1/16 | 34 3/8 | +1/2 |
| Quicksilv | | 18 | 928 | 33 3/4 | 31 | 31 | -1 |
| Quintiles | | 174 | 2730 | 77 1/2 | 76 1/2 | 76 3/4 | -3/8 |
| **- W -** | | | | | | | |
| Wang Lab | | | 5879 | 20 3/8 | 19 1/16 | 20 5/16 | +1 1/16 |
| Warmtech | | 35 | 486 | 11 5/8 | 11 1/4 | 11 5/8 | +1/8 |
| WashMut x | 1.08 | 17 | 20154 | 65 5/8 | 62 3/4 | 63 3/4 | -1 |
| WatsnIndA | 0.31 | 14 | 1194 | 25 13/16 | 25 3/16 | 25 3/4 | +1/4 |
| Wausau PM | 0.35 | 15 | 498 | u20 1/2 | 20 | 20 1/16 | -3/16 |
| WD-40 | 1.28 | 22 | 295 | 30 1/4 | 29 1/2 | 30 | -1/8 |
| Werner En | 0.10 | 19 | 288 | 22 5/16 | 22 | 22 1/8 | -1/8 |
| Wstam Bnc x | 1.04 | 25 | 377 | 82 1/2 | 80 3/4 | 82 1/2 | +1 1/2 |
| WstpStA | | 21 | 3011 | 41 3/8 | 40 1/2 | 41 | +1/4 |
| Wet SealA | | 13 | 2791 | 19 1/4 | 18 1/4 | 18 7/16 | -3/16 |
| WmsSonoma | | 45 | 815 | 40 3/8 | 39 1/2 | 39 3/4 | +1/4 |
| Wolohan L | 0.28 | 12 | 44 | 12 5/8 | d11 3/4 | 12 1/2 | +3/4 |
| Wrldcm | | | 35818 | 33 3/4 | 32 13/16 | 32 7/8 | -1/16 |
| Wrthgtn | 0.52 | 20 | 2834 | 20 | 19 1/2 | 19 13/16 | +1/4 |
| WPP ADR | 0.29 | 20 | 274 | 44 1/8 | 43 5/8 | 43 5/8 | -3/16 |
| Wyman-Gdn | 0.40 | 34 | 2085 | 27 | 25 3/4 | 26 5/16 | -7/16 |
| **- X - Y - Z -** | | | | | | | |
| Xilinx♣ | | 36 | 18715 | 54 1/8 | 50 3/4 | 52 1/8 | -1/4 |
| Xircom | | 24 | 6877 | 14 3/4 | 13 13/16 | 14 1/4 | +1/8 |
| Xoma Corp | | | 5635 | 6 7/8 | 6 1/4 | 6 7/16 | -1/16 |
| Yahoo | | | 7585 | 52 1/2 | 49 5/8 | 50 3/8 | -7/8 |
| Yellow | | | 2793 | 27 | 26 1/2 | 26 3/4 | +3/16 |
| York Rsch | | 18 | 535 | 6 1/4 | 6 | 6 1/16 | -1/16 |
| ZionsUtah | 0.48 | 19 | 739 | 35 7/8 | 35 1/4 | 35 11/16 | +5/16 |

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|---|---|---|---|---|---|---|---|---|---|---|---|
| ActivCard | US$2.875 | | 2700 | 8.25 | 2.875 | Lernout & Hauspie | US$28.625 | -0.5 | 20760 | 34 | 25 |
| Artwork Systems | US$8.875 | -0.125 | 5300 | 11.125 | 8.875 | Mercer Int'l | US$10.125 | -0.5 | 0 | 11.75 | 8.125 |
| Chemunex | FFr10.5 | | 85000 | 16 | 10.5 | NTL | US$22.625 | +0.375 | 0 | 25.125 | 21.625 |
| Debonair Holdings | GBP8.5 | -0.6 | 150000 | 7.15 | 4.5 | PixTech | US$3.5 | -0.125 | 0 | 6.125 | 3.5 |
| Dr Solomon's ADS | US$28 | -0.25 | 0 | 28.375 | 16.875 | Schoeller-Bleckmann | Sch1270 | -15 | 5860 | 1303 | 900 |
| EDAP TMS | US$8.25 | -0.25 | 0 | 9.125 | 8.1875 | Topcall Int'l | Sch3285 | -40 | 1360 | 3363 | 3065 |
| Esprit Telecom ADS | US$8.375 | -0.125 | 0 | 12.25 | 5.375 | Turbodyne Technol | US$3.85 | | 0 | 3.98 | 3.85 |
| Innogenetics | US$10.125 | -0.125 | 42150 | 12.75 | 10.125 | | | | | | |

Prices for 13/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel 44-171 / 489 9990)

# Dow's advances lost after selling wave

## AMERICAS

An early 80 point rise for the Dow Jones Industrial Average sparked by the release of two favourable economic reports was quickly wiped out by a wave of selling, *writes John Labate in New York.*

It was a morning to make pulses race even by Wall Street's recent volatile standards. By early afternoon the Dow had settled below Wednesday's close, losing 20.20 at 7,940.87.

The broader Standard & Poor's 500 index also drifted 3.47 lower at 923.06. The technology-heavy Nasdaq composite index moved 3.70 higher at 1,579.94.

Both bond and stock markets rallied early on the release of retail sales and producer price figures.

Retail sales for July were reported at a 0.6 per cent gain, on target with economists' expectations, and not the sharp uptick that some had been expecting.

Financial markets were given a second helping of good news in the shape of the producer price index for July which came in down 0.1 per cent, making seven consecutive monthly declines in the closely-watched inflationary indicator.

Both reports set off rallies in the bond and stock market, but concerns over the weakening dollar left the stock market's earlier rise in tethers.

By early afternoon the benchmark 30-Year Treasury bond was up $\frac{4}{32}$ at $96\frac{15}{32}$, taking the yield down to 6.643 per cent.

Among the day's falling stocks was Micron Technology, which plunged $$7\frac{1}{16}$ or more than 14 per cent at $$43\frac{1}{16}$ as analysts downgraded the stock. Texas Instruments also fell $3¾ at $118⅝.

**TORONTO** continued to slip. Golds met with good demand from the opening bell but the rest of the market streamed lower.

At noon, the 300 composite index was off 33.00 at 6,775.50.

Golds moved ahead in line with the bullion price and at the close of morning trading Barrick was up 35 cents at C$33.15, and Placer Dome 30 cents at C$25.10.

Most leaders though were weak. Northern Telecom retreated C$2.45 to C$140.10 and Seagram came off 90 cents to C$48.10 after announcing full-year results. Alcan Aluminium shed 60 cents to C$51.90 and market heavyweight BCE lost 40 cents to C$40.00.

Banks were equally dull. Royal Bank of Canada dipped 45 cents to C$63.35 and Toronto-Dominion Bank 20 cents to C$41.60.

**MEXICO CITY** moved up strongly at the opening, but turned tail later in the session to end the morning with pared gains. Telmex shot ahead in initial trading, rising by 35 centavos at one stage.

By midsession, however, the stock was off 15 centavos at 20.10 pesos with the IPC index up a bare 8.21 at 5,011.09.

## SOUTH AFRICA

Johannesburg ended lower following a sell off for market leader De Beers. The all share index dropped 41.9 to 7,538. Industrials shed 24.6 to 9,243.1 and gold shares added 9.1 to 1,026.1.

Local sentiment took a knock when diamond giant De Beers unveiled disappointing half-year results. The share ended down 850 cents at R154.50 in trade worth R122m. The negative sentiment rubbed off on Anglo American, which lost 350 cents to end at R264.50 in trade worth R28m.

The total value of shares traded hit R805 and the day saw 163 counters rise as 210 fell.

# Bourses rattle lower on US wobbles

## EUROPE

Unsettled by Tuesday's heavy falls in the US, bourses wobbled badly at the outset and never really recovered in the face of volatile early trading on Wall Street.

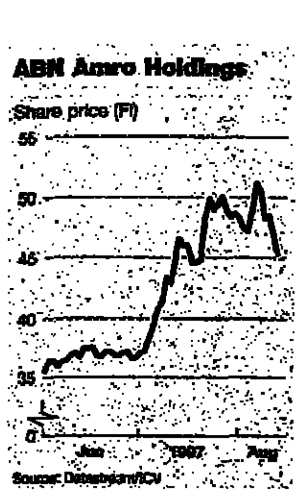
**AMSTERDAM** suffered one of its biggest one-day declines after a highly turbulent session. The AEX closed down 42.64 or 4.4 per cent at 935.76, as concerns over Wall Street combined with options-related selling to knock sentiment.

Just three trading days ago, the AEX closed at a new record high of 1,010.97.

Renewed fears of higher German interest rates after a hawkish inflation report from the Bundesbank was said to have spooked the market. The downturn was accelerated by options-related selling ahead of tomorrow's expiries.

Brokers said there was little to choose between individual shares in a weak market. Bank ABN Amro plummeted Fl 3.30 or 6.8 per cent to Fl 45.20. Entertainment group PolyGram, which had initially bucked the downtrend on good news about recent film releases, ended the day as the fourth biggest loser with a loss of 7.4 per cent or Fl 8.80 to Fl 110.50.

Heineken was also down, despite Lehman Brothers upgrading the stock to "buy" from "outperform". The brewer dropped Fl 8.50 or 2.6 per cent to Fl 322.50.




**FRANKFURT** was off 4,278.48 at the close of floor trading and was down to an Ibis-indicated 4,237.06 when electronic trading came to an end, a decline of 140.45 or almost 3 per cent.

Dealers said that there was no real weight of selling and that much of the downside was futures driven. Leaders led the way down. Volkswagen fell DM45.00 to DM1,309, Daimler Benz DM3.55 to DM145.95m and Deutsche Telecom DM1.72 to DM40.40.

Hoechst, which put out solid if confusing interim figures, came off DM4.30 to DM80.50. BASF lost DM2.05 to DM71.50 ahead of today's six-month results and Bayer shed DM3.00 to DM76. Henkel, which announced strong numbers on Tuesday, retreated DM1.60 to DM104.7.

Thyssen, a strong market lately on rumours of a merger with Krupp Hoesch, ran into profit-taking, sliding DM6.85 to DM428.5. But Krupp stayed firm, adding DM20 to DM364 helped by a move to "overweight" at Deutsche Morgan Grenfell.

Karstadt, up DM15 in two days on news of links with the Schickedanz retail and mail order group, fell DM28 to DM680.

**PARIS** also had a volatile day dominated by concerns about Wall Street and the weaker dollar. The CAC 40 index closed 74.53 lower at 2,924.04, not far above the session low of 2,911.97.

Shares in LVMH underperformed on disappointment with its half-year sales figures for cognac and for the newly acquired Duty Free Shops. The shares tumbled more than 4 per cent or FFr63.00 to FFr1,460.

Shares in insurer AGF opened sharply higher on rumours of a takeover by Deutsche Bank, but the gains were trimmed to a rise of only 50 centimes to FFr217 after Deutsche Bank dismissed the rumours as pure speculation.

Renault was trading sharply lower ahead of its half-year sales report which emerged after the market close. The motor giant fell FFr3.60 to FFr164.40.

*ZURICH* fell 126.3 to 5,682.1 on the SMI index with traders mostly blaming futures selling. "The derivatives market took a run at us ahead of the US producer price index and that set the tone for the rest of the session," said one broker.

SBC ended off SFr2.00 at SFr415 in spite of strongly upbeat six months results. CS Group, which unveiled a bid for the Winterthur insurance group on Monday, continued to slip. The shares came off SFr13.25 to SFr190.25. Winterthur lost SFr88.00 to SFr1,416.

**MILAN** lost 1.4 per cent in thin trading on the Mibtel real-time index which ended at 14,398. Eni shed 2 per cent to L10,220 and Fiat came off 2.1 per cent at L5,723. Olivetti ended a day of highly-tuned gossip with a rise of 2.1 per cent to L658.50 on rumours that France Telecom was set to take a big stake in the group's Infostarda unit.

**HELSINKI** took its cue from Wall Street but the declines were modest. The HEX general index closed down 28.51 at 3,600.85 as Nokia and the forestries sector led the decliners. Nokia A closed down FM5.40 at FM463.10, broadly in with its Wall Street performance the previous day.

**STOCKHOLM** also ended lower. The general index slid 59.67 to 3,207.13 in heavy turnover of Skr6.17bn. Profit-taking pulled telecoms group Ericsson down Skr8.00 to Skr356.00 while drugs company Astra tumbled Skr7.50 to Skr134.50. SE-Banken fell Skr6.00 to Skr90.

### FTSE Actuaries Share Indices — European series

August 13

| National & Regional Markets | Ecu Index | Day's % | change points | Yield gross % | xd adj | Total retn (Ecu) |
|---|---|---|---|---|---|---|
| FTSE Eurotop 300 | 971.24 | -2.81 | -28.03 | 2.33 | 0.00 | 972.70 |
| FTSE Eurotop 100 | 2256.29 | -2.53 | -58.67 | - | - | - |
| **FTSE Eurotop 300 Regions** | | | | | | |
| 300 UK | 967.98 | -2.98 | -29.52 | 3.34 | 0.00 | 971.98 |
| 300 Ex-UK | 973.08 | -2.72 | -27.17 | 1.78 | 0.00 | 973.11 |
| 300 Eurobloc | 971.22 | -2.91 | -29.07 | 1.94 | 0.00 | 971.27 |
| 300 Ex-Eurobloc | 971.24 | -2.73 | -27.29 | 2.81 | 0.00 | 973.72 |
| **FTSE Eurotop 300 Economic Groups** | | | | | | |
| Resources | 990.39 | -3.11 | -31.83 | 2.78 | 0.00 | 991.90 |
| General Industries | 1000.87 | -2.84 | -29.22 | 1.97 | 0.00 | 1001.25 |
| Consumer Goods | 939.73 | -3.05 | -29.55 | 1.96 | 0.00 | 941.92 |
| Services | 959.05 | -2.49 | -24.44 | 2.30 | 0.00 | 959.89 |
| Utilities | 941.57 | -2.16 | -20.82 | 3.32 | 0.00 | 945.50 |
| Financials | 979.91 | -2.85 | -28.70 | 2.34 | 0.00 | 981.10 |

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

# Turkey upgraded ahead of reforms

**Turkey had a good July. The ISE-100 index gained almost 8 per cent last month to extend its upward run since the start of the year to more than 100 per cent, *writes Jeffrey Brown.***

**Trading has been relatively quiet since the market broke through 2,000 four weeks ago, but there are clear signs that investor interest has been rekindled.**

**Salomon Brothers recently moved from "underweight" to "neutral" and a number of foreign fund managers are thought to be on the verge of increasing their exposure.**

**The immediate supports for the stock market are twofold. Share valuations are low. And a degree of political stability appears to be in place in the run up to the next general elections, possibly early next year.**

**The market price earnings ratio for 1997 is one of the lowest ratings in the region at just over 9 times. Some company earnings are growing rapidly, helped by strong economic growth. GDP for 1997 is widely expected to grow by more than the official forecast of 4 per cent.**

**Against this, inflation remains rampant and threatens to top 90 per cent by December; and the national budget remains seriously unbalanced.**

**On some estimates, the budget deficit was 8.6 per cent of GDP and will still be around 7 per cent this year.**

**However, the coalition government won an important vote of confidence last month and renewed its commitment to privatisation. It claimed revenues from state sell offs would reach $12bn by the middle of 1998.**

**Some analysts are betting that Mr Mezut Yilmaz, the prime minister, will push progressively ahead with economic reform once the election is out of the way.**

### Emerging markets: IFC weekly investable price indices

| | | Dollar terms | | | Local currency terms | | |
|---|---|---|---|---|---|---|---|
| Market | No. of stocks | Aug 8 1997 | % Change over week | % Change on Dec '96 | Aug 8 1997 | % Change over week | % Change on Dec '96 |
| **Latin America** | (247) | 767.87 | +0.1 | +42.7 | | | |
| Argentina | (30) | 1,228.78 | +1.0 | +29.3 | 753,572.30 | +1.0 | +29.2 |
| Brazil | (68) | 597.29 | -1.2 | +50.7 | 2,425.31 | -1.0 | +57.4 |
| Chile | (46) | 809.57 | +0.1 | +30.5 | 1,339.85 | -0.9 | +27.0 |
| Colombia[1] | (14) | 857.98 | +3.7 | +35.5 | 1,700.50 | +4.2 | +50.7 |
| Mexico | (63) | 784.69 | +0.5 | +48.1 | 2,643.14 | +0.4 | +47.1 |
| Peru[2] | (17) | 246.31 | +4.2 | +25.2 | 400.37 | +4.5 | +28.2 |
| Venezuela[3] | (9) | 1,046.10 | +0.2 | +43.7 | 11,913.93 | +0.1 | +49.4 |
| **Asia** | (709) | 222.70 | -4.3 | -11.9 | | | |
| China[4] | (27) | 101.14 | +6.2 | +37.2 | 105.83 | +6.2 | +37.0 |
| South Korea[5] | (156) | 83.12 | +2.7 | +7.6 | 97.74 | +3.3 | +13.8 |
| Philippines | (42) | 223.22 | +3.4 | -24.0 | 308.39 | +1.2 | -17.3 |
| Taiwan, China[6] | (90) | 196.97 | -1.2 | +28.5 | 212.22 | -1.5 | +34.1 |
| India[7] | (77) | 110.32 | +1.5 | +40.0 | 139.92 | +1.3 | +39.6 |
| Indonesia[8] | (49) | 115.31 | -6.6 | -9.7 | 163.17 | -7.1 | -0.4 |
| Malaysia | (148) | 236.25 | -9.4 | -29.8 | 235.12 | -7.4 | -25.1 |
| Pakistan[9] | (28) | 306.07 | +2.2 | +56.4 | 584.70 | +2.2 | +57.9 |
| Sri Lanka[10] | (5) | 148.61 | -3.2 | +56.3 | 191.09 | -3.1 | +62.4 |
| Thailand | (87) | 143.37 | +0.9 | -35.2 | 178.20 | -1.1 | -20.9 |
| **Euro/Mid East** | (266) | 163.92 | +2.1 | +22.1 | | | |
| Czech Rep | (7) | 61.15 | +8.7 | -12.8 | 69.36 | +8.9 | +9.2 |
| Egypt | (16) | 94.07 | -0.4 | - | 93.87 | -0.4 | - |
| Greece | (54) | 351.37 | +2.9 | +45.0 | 690.48 | +3.2 | +70.5 |
| Hungary[11] | (12) | 320.08 | +6.1 | +62.7 | 763.36 | +6.2 | +99.5 |
| Israel | (40) | 133.73 | +1.9 | +33.7 | 145.06 | +1.4 | +45.1 |
| Jordan | (7) | 210.70 | -0.6 | +12.9 | 314.65 | -0.6 | +12.8 |
| Morocco | (5) | 123.13 | +1.7 | - | 134.44 | +2.3 | - |
| Poland[12] | (31) | 677.15 | +11.4 | -7.5 | 1,486.50 | +12.0 | +12.7 |
| Portugal | (29) | 195.26 | +2.6 | +33.6 | 251.80 | +2.5 | +61.5 |
| Russia | (15) | 202.36 | +10.9 | - | 209.06 | +11.0 | - |
| Slovakia | (5) | 90.33 | -1.1 | - | 97.13 | -1.2 | - |
| South Africa[13] | (63) | 237.18 | +1.0 | +13.7 | 228.62 | +1.8 | +13.6 |
| Turkey[14] | (58) | 225.44 | +2.5 | +61.6 | 17,301.35 | +3.7 | +127.0 |
| Zimbabwe[15] | (5) | 689.20 | +0.1 | +41.3 | 1,150.07 | +0.4 | +52.4 |
| **Composite** | (1222) | 333.29 | -1.1 | +13.0 | | | |

*Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991, (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.*

# Japanese stocks recoup early losses

## ASIA PACIFIC

Tokyo had a mixed session with the Nikkei 225 index ending modestly lower after early heavy losses had been recouped, *writes Gwen Robinson*.

The Nikkei 225 average closed off 90.51 at 19,008.60 after clawing back from a session low of 18,801.68. The best of the day was 19,154.02.

New York's overnight falls damped sentiment from the outset, dragging the 225 index below the 19,000 level. The decline in index futures in Osaka encouraged arbitrageurs to dump cash stocks, driving down a wide range of issues.

Buying interest revived in the afternoon, as bargain hunters chased blue chips and contractors. However, traders said they expected the market to remain weak in the current summer holiday period.

Volume rose from 352m shares to an estimated 410m. Declines led advances 564 to 494 with 194 unchanged. The Topix index of all first section stocks improved 2.02 to 1,477.87 and the capital-weighted Nikkei 300 was up 3.34 at 289.17.

Leading banks mostly advanced after falling earlier in the day on concerns that Thailand's financial crisis will impose extra strain on their resources. Industrial Bank of Japan rose Y20 to Y1,740, Sumitomo Bank Y20 to Y1,890 and Sakura Bank Y15 to Y715. Dai-Ichi Kangyo Bank, however, fell Y30 to Y1,450.

Semiconductor-related issues gained after recent declines. Canon rose Y30 to Y3,550, Nikon Y60 to Y2,320, TDK Y60 to Y9,720 and Tokyo Electron Y130 to Y7,320.

Leading electricals were mixed. Sony fell Y200 to Y11,400 after it announced plans to promote a new optical storage disk for computer data. The news sparked competition concerns. It was seen as unbalancing the unity of the 10-member consortium known as the DVD Forum, which includes Sony, Toshiba and Matsushita.

Contractors rose on bargain-hunting. Taisei gained Y7 to Y499 and Obayashi Y14 to Y705. Property-related stocks were the day's biggest gainers with the sector rising more than 3 per cent. Mitsui Fudosan rose Y40 to Y1,490 and Mitsubishi Estate Y40 to Y1,690.

In Osaka, the OSE average rose 60.36 to 20,014.13 in volume of 31m shares.

**TAIPEI** tumbled after early attempts to rebound failed. Electronics bore the brunt of the sell-off. Overnight losses on Wall Street pushed the weighted index down 251.62 or 2.6 per cent, to 9,556.12, its third successive decline. It reached a low of 9,547.80. Turnover was active at T$158.6bn.

Microchip company Taiwan Semiconductor was down by its daily limit of 7 per cent, a fall of T$10.50 to T$142.50, after Philips Taiwan said it would auction 100m shares of Taiwan Semiconductor on August 18. Computer maker Acer was also limit down, losing T$6.00 to T$85. The electronics index lost 3.5 per cent.

**KUALA LUMPUR** rose as share prices corrected after two days of sharp falls. The composite index gained 11.58 at 908.83, off a high of 919.58. Local and foreign institutions were said to be buying large cap stocks. Telekom Malaysia rose 10 cents to M$8.80 and Malayan Bank picked up 50 cents to M$22.50. Brokers said uncertainty over the direction of the beleaguered ringgit had put a cap on buying interest.

**SYDNEY** closed lower on disappointing results from Commonwealth Bank. The All Ordinaries index fell 26.9 to 2,623.6 having touched a session low of 2,604.8.

Commonwealth ended off 9 cents at A$16.28. NAB lost 26 cents to A$18.845 and Westpac 14 cents to A$8.19. ANZ reversed early losses to close 4 cents higher at A$10.00. BHP continued to rally, adding 11 cents at A$17.13.

**WELLINGTON** moved steeply lower. "The overnight falls on Wall Street have rattled us", said one broker. NZ Telecom tumbled 16 cents to NZ$7.38 and Cater Holt Harvey came off 12 cents to A$3.36. The 40 capital index ended off 47.16 or 1.9 per cent at 2,450.92.

### FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS | TUESDAY AUGUST 12 1997 | | | | | | | | MONDAY AUGUST 11 1997 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (78) | 230.30 | -0.6 | 216.34 | 168.80 | 222.99 | 207.50 | -0.7 | 3.67 | 231.72 | 215.99 | 169.52 | 223.40 | 208.96 | 243.67 | 187.66 | 197.66 |
| Austria (25) | 197.23 | -0.2 | 185.27 | 144.56 | 190.97 | 190.86 | 0.2 | 1.72 | 197.62 | 184.21 | 144.58 | 190.52 | 190.41 | 206.00 | 174.70 | 181.59 |
| Belgium (29) | 239.86 | 0.8 | 225.31 | 175.80 | 232.24 | 227.44 | 1.1 | 3.00 | 238.08 | 221.91 | 174.17 | 229.53 | 224.99 | 261.11 | 213.92 | 217.24 |
| Brazil (30) | 284.82 | -0.8 | 267.55 | 208.75 | 275.77 | 569.19 | -0.6 | 1.29 | 286.52 | 267.07 | 209.61 | 276.23 | 572.44 | 322.44 | 172.54 | 179.80 |
| Canada (126) | 217.64 | -0.6 | 204.44 | 159.51 | 210.73 | 219.56 | -0.6 | 1.64 | 218.93 | 204.06 | 160.16 | 211.06 | 220.91 | 224.03 | 159.58 | 160.49 |
| Denmark (32) | 383.18 | -0.5 | 359.95 | 280.85 | 371.01 | 368.61 | -0.1 | 1.38 | 385.05 | 358.91 | 281.70 | 371.22 | 369.84 | 421.25 | 315.46 | 315.95 |
| Finland (28) | 306.73 | 0.1 | 288.13 | 224.81 | 296.99 | 358.49 | 0.7 | 1.53 | 306.45 | 285.64 | 224.19 | 295.44 | 355.94 | 314.06 | 205.98 | 209.15 |
| France (83) | 225.83 | -0.1 | 212.14 | 165.52 | 218.66 | 222.43 | 0.4 | 2.37 | 226.15 | 210.79 | 165.44 | 218.02 | 221.60 | 237.57 | 187.30 | 189.26 |
| Germany (59) | 231.68 | 0.2 | 217.63 | 169.80 | 224.32 | 224.32 | 0.6 | 1.27 | 231.21 | 215.51 | 169.15 | 222.91 | 222.91 | 238.42 | 172.93 | 176.27 |
| Hong Kong, China (66) | 565.64 | -0.8 | 531.34 | 414.57 | 547.67 | 562.37 | -0.8 | 2.73 | 570.27 | 531.55 | 417.19 | 549.78 | 566.86 | 580.03 | 421.41 | 428.40 |
| Indonesia (27) | 202.68 | 0.0 | 190.37 | 148.54 | 196.22 | 329.46 | 1.3 | 1.87 | 202.65 | 188.89 | 148.25 | 195.37 | 325.09 | 264.90 | 183.62 | 189.85 |
| Ireland (17) | 373.02 | -0.2 | 350.40 | 273.40 | 361.17 | 367.55 | 0.4 | 2.65 | 373.76 | 348.38 | 273.44 | 360.34 | 366.18 | 374.84 | 264.36 | 265.40 |
| Italy (53) | 98.66 | 1.4 | 92.68 | 72.31 | 95.52 | 139.94 | 1.8 | 1.77 | 97.34 | 90.73 | 71.21 | 93.84 | 131.53 | 105.79 | 73.26 | 75.07 |
| Japan (485) | 131.61 | 0.9 | 123.62 | 96.61 | 127.63 | 96.61 | 1.1 | 0.82 | 130.65 | 121.77 | 95.56 | 125.95 | 95.56 | 149.58 | 107.57 | 147.09 |
| Malaysia (107) | 394.40 | -1.5 | 370.48 | 289.07 | 381.87 | 421.66 | -0.3 | 1.65 | 400.34 | 373.15 | 292.88 | 385.96 | 423.08 | 660.85 | 394.40 | 542.83 |
| Mexico (27) | 1790.62 | -0.6 | 1682.04 | 1312.40 | 1733.74 | 15234.38 | -0.9 | 1.47 | 1801.61 | 1679.46 | 1318.16 | 1737.08 | 15374.92 | 1864.38 | 1136.59 | 1251.94 |
| Netherlands (19) | 420.72 | 0.5 | 395.21 | 308.36 | 407.35 | 402.86 | 0.9 | 1.94 | 418.75 | 390.32 | 306.35 | 403.71 | 399.32 | 431.66 | 295.89 | 297.37 |
| New Zealand (14) | 88.24 | -1.1 | 82.89 | 64.67 | 85.44 | 73.40 | -0.5 | 3.98 | 89.24 | 83.18 | 65.28 | 86.04 | 73.80 | 98.47 | 80.77 | 80.77 |
| Norway (41) | 328.65 | 0.1 | 308.72 | 240.88 | 318.21 | 341.79 | 0.5 | 1.80 | 328.49 | 306.18 | 240.31 | 316.69 | 340.06 | 330.72 | 246.29 | 247.63 |
| Philippines (22) | 139.85 | -2.9 | 131.37 | 102.50 | 135.41 | 201.42 | -2.3 | 1.03 | 144.09 | 134.30 | 105.41 | 138.91 | 206.08 | 214.07 | 138.54 | 197.28 |
| Singapore (42) | 342.96 | -0.9 | 322.16 | 251.36 | 332.06 | 236.57 | 0.7 | 1.28 | 346.24 | 322.73 | 253.30 | 333.80 | 236.83 | 446.01 | 342.96 | 390.42 |
| South Africa (44) | 356.35 | -0.3 | 334.74 | 261.18 | 345.03 | 363.46 | -0.4 | 2.39 | 357.59 | 333.31 | 261.60 | 344.74 | 364.76 | 370.12 | 301.49 | 331.71 |
| Spain (37) | 244.82 | 0.1 | 230.07 | 179.51 | 237.14 | 291.59 | -0.5 | 2.26 | 244.68 | 227.07 | 178.93 | 235.79 | 292.00 | 276.06 | 173.01 | 175.95 |
| Sweden (48) | 512.39 | 0.1 | 481.32 | 375.65 | 496.11 | 607.51 | 0.5 | 1.70 | 511.77 | 477.02 | 374.40 | 493.33 | 604.35 | 512.33 | 362.11 | 353.19 |
| Switzerland (33) | 307.58 | -0.5 | 289.03 | 225.51 | 297.91 | 291.03 | -0.3 | 1.15 | 309.20 | 288.21 | 226.20 | 298.09 | 291.82 | 329.59 | 231.69 | 247.08 |
| Thailand (42) | 58.72 | 0.0 | 55.16 | 43.05 | 56.85 | 71.50 | 0.0 | 4.33 | 58.72 | 54.73 | 42.96 | 56.65 | 71.58 | 148.11 | 47.55 | 145.11 |
| United Kingdom (213) | 314.71 | 0.1 | 295.63 | 230.69 | 304.71 | 295.63 | 0.0 | 3.42 | 314.44 | 293.09 | 229.50 | 303.14 | 293.09 | 325.28 | 238.25 | 239.25 |
| USA (638) | 375.85 | -1.1 | 353.06 | 275.47 | 363.91 | 375.85 | -1.1 | 1.64 | 379.82 | 354.03 | 277.87 | 366.18 | 379.82 | 389.67 | 264.75 | 270.90 |
| Americas (821) | 343.77 | -1.0 | 322.93 | 251.96 | 332.85 | 289.62 | -1.0 | 1.64 | 347.30 | 323.71 | 254.07 | 334.82 | 292.60 | 356.35 | 242.47 | 247.59 |
| Europe (714) | 276.70 | 0.1 | 259.92 | 202.80 | 267.91 | 272.16 | 0.1 | 2.36 | 276.37 | 257.60 | 202.18 | 266.44 | 270.36 | 284.44 | 212.37 | 212.37 |
| Nordic (150) | 431.33 | 0.0 | 405.18 | 316.14 | 417.63 | 449.22 | 0.5 | 1.64 | 431.23 | 401.95 | 315.47 | 415.73 | 447.12 | 437.88 | 307.34 | 307.81 |
| Pacific Basin (881) | 149.55 | 0.5 | 140.48 | 109.61 | 144.80 | 111.22 | 0.7 | 1.29 | 148.87 | 138.76 | 108.91 | 143.52 | 110.47 | 183.27 | 127.18 | 180.17 |
| Euro-Pacific (1595) | 202.63 | 0.3 | 190.34 | 148.51 | 196.19 | 171.55 | 0.7 | 1.90 | 202.09 | 188.37 | 147.84 | 194.83 | 170.41 | 209.12 | 173.55 | 181.79 |
| North America (764) | 366.05 | -1.0 | 343.85 | 268.29 | 354.42 | 366.45 | -1.0 | 1.64 | 369.84 | 344.73 | 270.55 | 356.55 | 369.24 | 378.38 | 258.56 | 264.11 |
| Europe Ex. UK (501) | 249.60 | 0.1 | 234.46 | 183.09 | 241.67 | 252.43 | 0.6 | 1.76 | 249.45 | 232.52 | 182.49 | 240.49 | 251.05 | 258.73 | 191.01 | 192.77 |
| Pacific Ex. Japan (396) | 302.99 | -0.9 | 284.61 | 222.07 | 293.36 | 274.35 | -0.6 | 2.75 | 305.64 | 284.88 | 223.60 | 294.66 | 275.92 | 320.65 | 260.04 | 280.27 |
| World Ex. US (1822) | 206.76 | 0.1 | 194.23 | 151.54 | 200.20 | 178.50 | 0.6 | 1.85 | 206.35 | 192.34 | 150.96 | 198.94 | 177.50 | 212.89 | 176.94 | 183.07 |
| World Ex. UK (2247) | 255.58 | -0.5 | 240.08 | 187.31 | 247.44 | 229.01 | -0.3 | 1.59 | 256.71 | 239.28 | 187.80 | 247.49 | 229.75 | 262.69 | 204.12 | 207.51 |
| World Ex. Japan (1975) | 326.45 | -0.6 | 306.66 | 239.27 | 316.08 | 322.82 | -0.4 | 1.94 | 326.53 | 308.22 | 240.35 | 316.73 | 324.05 | 334.83 | 242.70 | 244.89 |
| The World Index (2460) | 260.66 | -0.4 | 244.85 | 191.05 | 252.36 | 235.13 | -0.2 | 1.77 | 261.70 | 243.93 | 191.45 | 252.30 | 235.62 | 267.21 | 207.54 | 210.30 |


Latest prices were unavailable for this edition. Market closed 12/8/97: Thailand.